OFFICE OF THE

Auditor General of British Columbia

ANNUAL REPORT 2012/13 AND 2013/14-2015/16 SERVICE PLAN

www.bcauditor.com

OUR YEAR IN NUMBERS

About Us

$43 billion
in government revenue

$44 billion
in government expenses

$78 billion
in government assets

estimated totals for our 2012/13 audit of government's Summary Financial Statements

$15.75 million

Office of the Auditor General's budget for 2012/13

1
Auditor General

10
Standards & Quality Staff

20
Operations Staff

35
IT & Performance Auditors

53
Financial Auditors

Performance

14%
of performance audit reports came from external suggestions

We welcome your suggestions at bcauditor@bcauditor.com

44
financial audits
+
24
public reports
+
1
resource document

69
pieces of work

74
Staff Engagement Score

We are a highly engaged office!

OFFICE OF THE
Auditor General
of British Columbia

8 Bastion Square
Victoria, British Columbia
Canada V8V 1X4
Telephone: 250-419-6100
Facsimile: 250-387-1230
Website: www.bcauditor.com

June 28, 2013

The Honourable Linda Reid
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Madam:

As mandated under Section 22 of the *Auditor General Act*, I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia my *2012/2013 Annual Report and 2013/14–2015/16 Service Plan*.

This document combines the Office's annual report with our service plan and has been audited by independent auditors Grant Thornton.

While it is my signature you find on this page, this report represents the work of former Auditor General John Doyle, who left our Office last month to take on the role of Auditor General of the Australian state of Victoria.

As always, our Office continues to use four key performance indicators to measure its relevancy, value, efficiency and excellence. I am pleased to report that we had an increase in the quantity of performance audit work that resulted from suggestions from MLAs and British Columbians. In addition, we saw a significant increase in traffic to our website and video summaries. This is a good indication that our work continues to be relevant and responsive to issues raised by British Columbians. We also met our efficiency target for the number of reports, resources and opinions completed this year.

When it came to our key performance indicator for excellence, the Office scored a 74 in our annual workplace environment survey, well above the benchmark of 60 that is said to indicate an engaged workforce.

I consider it important for my Office to have a strong working relationship with all Members and government organizations. To that end, I look forward to building on our successes during my time as Auditor General.

Russ Jones

Russ Jones, MBA, CA
Auditor General
Victoria, British Columbia

MESSAGE FROM THE AUDITOR GENERAL

Auditor General Russ Jones

While it is my signature and comments you find on this page, this annual report and service plan is largely the work of former Auditor General, John Doyle. John left our Office last month to become Auditor General of the Australian state of Victoria. He spent his six years in this Office working on behalf of British Columbians and their elected officials and I wish him the best in his new position.

Each year, our Office uses four key performance indicators to measure its relevancy, value, efficiency and excellence. I am pleased to report that three of our 22 pieces of performance audit work were a result of questions from MLAs and British Columbians, up from one of 13 last year. In addition, we saw a significant increase in traffic to our website and video summaries, and 219 individual reports were downloaded a total of 18,472 times. This is a good indication that our work continues to be relevant and responsive to issues raised by British Columbians. We also met our efficiency target for the number of reports, resources and opinions completed this year.

When it came to our key performance indicator for excellence, the Office scored a 74 in our annual workplace environment survey, well above the benchmark of 60 that is said to indicate an engaged workforce. We also found that 85 percent of our staff are proud of the work they do and find it meaningful, and 83 percent are proud to work for the Office. While I am pleased with these results, I look forward to growing these numbers as our staff are our advocates and essential to our success. They deserve to engage in meaningful, rewarding work.

Normally, we conduct a survey of MLAs each year to measure the value of our Office's work. However, as the timing of this survey fell very close to the recent election period, we felt it would be inappropriate to issue it this year. We will resume conducting this survey in 2014.

This is a time of transition for our Office, and not just in terms of leadership. We have also seen several shifts in national accounting and auditing standards in recent years, and are in the process of planning a move to a seismically safe, purpose-built office space for fall 2014. I look forward to guiding our Office through these shifts and ensuring that we continue our important work and build on our success.

Russ Jones, MBA, CA
Auditor General

Victoria, British Columbia
June, 2013

ACCOUNTABILITY STATEMENT

The *2012/13 Annual Report and 2013/14–2015/16 Service Plan of the Office of the Auditor General of British Columbia* was prepared under my direction in accordance with the *Auditor General Act*. I am accountable for the results achieved, for the selection of performance indicators and for how performance has been reported.

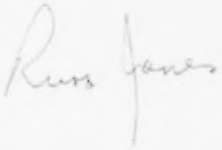
The report reflects the performance of the Office of the Auditor General for the 12 months ending March 31, 2013. All material fiscal assumptions and policy decisions up to June 1, 2013, have been considered in the development of this publication.

This combined annual report and service plan presents a comprehensive picture of the Office's actual performance. The report includes estimates and interpretive statements that represent the best judgement of management.

The measures reported are consistent with the Office's mission, goals and objectives, and focus on aspects critical to understanding the performance of the Office of the Auditor General.

I am responsible for ensuring that the Office's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained.

This combined report and service plan has been prepared in accordance with the BC Reporting Principles and is intended for a general audience. Users who require more detailed information should contact the Office.



Russ Jones, MBA, CA
Auditor General
June 2013

Grant Thornton

Independent auditor's report

To the Speaker
The Legislative Assembly, Province of British Columbia

We have been engaged to report whether the 2012/13 Annual Report and 2013/14 – 2015/16 Service Plan (the "Annual Report") of the Office of the Auditor General of British Columbia (the "Office") for the year ended March 31, 2013 fulfills the requirements of the BC Reporting Principles. The eight BC Reporting Principles outline the characteristics of good performance reporting, and have been endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts for use by public sector organizations in British Columbia. The principles are detailed in the appendix to this report. This Annual Report is the responsibility of the Office.

Auditor's responsibility

Our responsibility is to assess whether the Annual Report has met the requirements of the BC Reporting Principles. We conducted our audit in accordance with Canadian standards for assurance engagements and accordingly included such tests and procedures as we considered necessary in the circumstances. The conclusion in our report is based on procedures that we determined to be necessary for the collection of sufficient, appropriate evidence in order to obtain a high, though not absolute, level of assurance that the Annual Report fulfills the requirements of the BC Reporting Principles.

As called for by the BC Reporting Principles, the Annual Report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by the Office, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, our examination was limited to ensuring the Annual Report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and audited financial statements. Further, current year results for the performance indicator on Value as reported in the 2012/2013 Performance section of the annual, were not available at the time of our report.

Opinion

In our opinion, except for the effect of adjustments if any, which we might have determined to be necessary had the current year results for the performance indicator on Value been available, this Annual Report fairly presents, in all significant respects, the performance of the Office for the year ended March 31, 2013, in accordance with the BC Reporting Principles. The following appendix contains details supporting our conclusion for each of the BC Reporting Principles, and is an integral part of our opinion.

Victoria, Canada
June 28, 2013

Grant Thornton LLP
Chartered Accountants

EXTERNAL AUDITOR'S OPINION ON THE ANNUAL REPORT

Appendix to Auditor's Report of Grant Thornton LLP on the 2012/13 Annual report and 2013/14 – 2015/16 Service Plan of the Office

Detailed observations

Principle 1 – Explain the Public Purpose Served
The Annual Report explains the Office's mission and public purpose, as outlined in enabling legislation. It reports on the organization's two core business areas and the services/products provided. The Annual Report includes a discussion of the involvement of private sector auditors and the quality assurance measures in place. The Annual Report details the Office's clients and stakeholders, including the accountability relationship with the Legislative Assembly. Other factors that are critical to understanding performance are identified, including independence and objectivity.

Principle 2 – Link Goals and Results
The Annual Report clearly identifies the organization's mission, mandate, goals, objectives, and successfully explains their interrelationships. Performance indicators are clearly reported and reflect the core substance of the objectives and focus on short-term and long-term outcomes. For three of the four performance indicators the Annual Report explains the variances between planned and actual results, variances from prior years' results and discusses plans to achieve targeted results in the future. Current year results for the performance indicator on Value were not available at the time of our report.

Principle 3 – Focus on the Few, Critical Aspects of Performance
The Annual Report provides meaningful information to readers by focusing on four key performance indicators that are critical to the understanding of the operational performance of the Office. With exception of the performance indicator on Value, the results of performance, both financial and nonfinancial, are clearly presented. The Annual Report manages its level of detail by referring appropriately to companion documents.

Principle 4 – Relate Results to Risk and Capacity
The Annual Report examines the key risks to the Office and explains the impact of risk and the resulting critical success factors on performance results, with the exception of current year results for the performance indicator on Value, in both a short-term and long-term context. The Annual Report addresses capacity in terms of human resources and funding and how these affect the ability to deliver organizational goals and objectives.

Principle 5 – Link Resources, Strategies and Results
With the exception of the current year results for performance indicator on Value, the Annual Report highlights key financial information at an organization-wide level. Explanations are provided for variances from prior year and budgeted amounts. The Annual Report conveys efficiency through its discussions and analyses of performance indicators. Links between resources and outputs are discussed and contribute to the reader's understanding of the efficiency of operations.

Principle 6 – Provide Comparative Information
The Annual Report provides comparative data in its analyses of the four performance indicators. Multi-year trends are used and referenced to actual results and planned performance. For performance indicator Value, the current year results were not available at the time of our audit report. For other indicators, the Annual Report explains that benchmarks and industry data were sought, but information for direct comparisons was not always available.

Principle 7 – Present Credible Information, Fairly Interpreted
The Annual Report covers all key aspects of performance and the measures used are relevant. The report clearly identifies the data sources used to assess the performance. The Annual Report is reasonably concise, effectively uses tables and graphs to present information and avoids excessive use of specialized terminology.

Principle 8 – Disclose the Basis for Key Reporting Judgments
The Annual Report identifies the sources of information for performance indicator data. Limitations to data sources, where present, are disclosed. The Annual Report discusses the Office's confidence in the reliability of the data and reports successes and shortcomings in a fair and balanced manner.

TABLE OF CONTENTS

Message from the Auditor General ii

Accountability Statement iii

External Auditor's Opinion on Annual Report iv

About the Office

Who We Are 1

What We Do 2

Governance 2

Financial Audit 3

Performance Audit 4

Planning, Funding and Reporting Cycle 5

Measuring Our Performance

Strategy, Principles and Values 7

Critical Success Factors 8

Outputs, Targets and Data 10

2012/13 Performance

Relevance 12

Value 17

Efficiency 20

Excellence 21

2013/14-2015/16 Strategic Plan

Audit Areas of Interest in 2013/14 24

Professional Standards 26

New Accounting and Financial Standards 26

Human Resources 27

Information Technology 29

Our Finances

Management's Discussion and Analysis 30

Statement of Management Responsibility 36

External Auditor's Opinion on the Financial Statements 37

Financial Statements 39

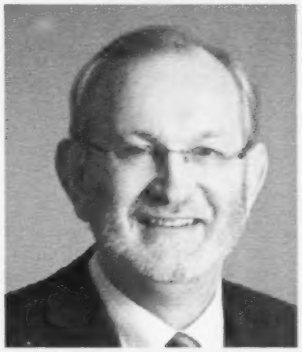
Appendix A: Summary of Work Issued Issued in 2012/13 48

WHO WE ARE

The Auditor General has a unique role in British Columbia. Non-partisan, independent of government and reporting directly to the Legislative Assembly, the Auditor General provides assurance about government's overall operations. The Auditor General's work is governed solely by the *Auditor General Act*.

The Auditor General is the independent auditor of the Legislative Assembly of British Columbia. Through the work of the Office of the Auditor General of British Columbia (the Office), the Auditor General serves the people of British Columbia and their elected representatives. That work includes conducting independent audits and advising on how well government is managing its responsibilities and resources.

Independence is a vital safeguard for the Office in fulfilling its responsibilities objectively and fairly. As of March 2013, the Auditor General's term was changed from six years with the possibility of a six-year extension, to a single eight-year term. Auditor General John Doyle served under the old appointment process and the next Auditor General will fall under the new, eight-year term.



John Doyle

Auditor General of B.C.
Oct. 2007 - May 2013

John Doyle served as Auditor General of British Columbia from October 29, 2007, to May 27, 2013. Under his leadership, the Office not only worked to establish a strong presence in the Canadian and international audit communities, but also expanded the range of both the types of work conducted and the products created for the citizens and legislators of British Columbia.

Before his appointment to the Office, John was the Deputy Auditor General of Western Australia. He has also served as Chief Financial Officer at a number of major organizations.

John was Head of the School of Accounting and Finance at the University of Notre Dame in Australia, while also serving as the Director of Corporate Governance at Western Australia Health. He was a Lecturer in finance, accounting and computer science.

John is a Fellow of Chartered Accountants, with professional accounting designations from Canada, the United Kingdom and Australia, and also holds an MBA and a Master of Accounting. John was born in Germany and educated in the United Kingdom and Australia.

Russ Jones

Auditor General of B.C.
May 2013 - present

Russ Jones began his term as Auditor General of British Columbia on May 28, 2013. Prior to his appointment, he served as an Assistant Auditor General - Financial Audit and Chief Financial Officer in our Office. He has specialized in accounting, financial reporting and auditing in the public sector for nearly 30 years.

Russ is a Chartered Accountant with an MBA from Simon Fraser University. He first joined the Office in 1980, following five years with a national accounting firm. He was also comptroller for two locally-owned Victoria companies from 1986 to 1989, and has served as facilitator for the CA School of Business.

Russ is a member of the Institute of Chartered Accountants of B.C.'s Bylaws Committee and sits on the Public Sector Accounting Board, which sets standards and provides guidance for financial and performance reporting by the public sector.

WHAT WE DO

The government of British Columbia manages revenue, expenses and assets in the tens of billions of dollars. Under the authority of the *Auditor General Act*, the Auditor General must report each year, in accordance with generally accepted auditing standards, on the financial statements of the government reporting entity (GRE) to the Legislative Assembly. The GRE is composed of ministries, Crown corporations and other public-sector entities that are controlled by, or accountable to, the provincial government, such as universities, colleges, school districts and health authorities.

The *Auditor General Act* also allows the Auditor General to be appointed as the financial statement auditor of any organization that is included in the GRE, and to carry out performance audits. (For more information on our financial audits, see page 3. For performance audits, see page 4.)

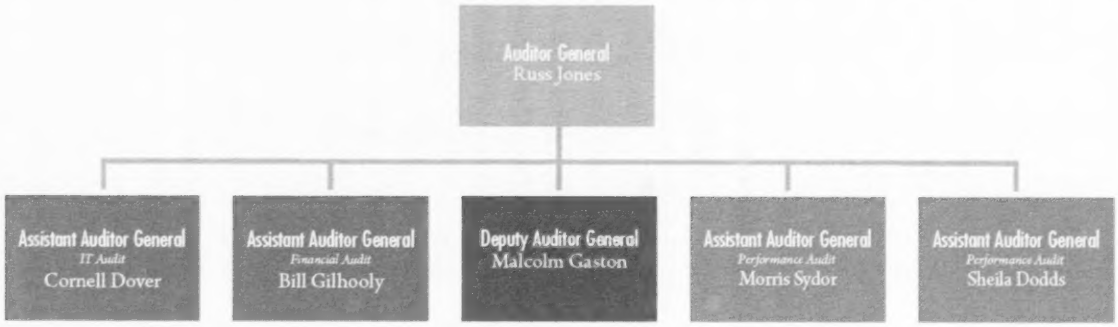
Under the authority of the Auditor General's mandate, we use our resources to produce reports, audit opinions, best-practice guides and information pieces, among many other products. Through the Office's work, the Auditor General provides the people of British Columbia and their elected representatives with an independent assessment of the performance of their government. In this way, the Auditor General performs a vital role in support of the democratic process and responsible, accountable government.

GOVERNANCE

For 2012/13, the Office managed two lines of business across four operating portfolios: two each for Financial Audit and Performance Audit.

Two other portfolios (Legal Services and Quality Assurance, Strategies and Administration) provided office-wide support in areas such as human resource management, communications, legal services and professional practices.

Exhibit 1: The operational structure of the Office of the Auditor General as of May 28, 2013



At the end of the 2012/13 fiscal year, it was determined that the Assistant Auditor Generals for the Quality Assurance, Strategies and Administration portfolio and the Legal Services portfolio were no longer required. As such, the work was redistributed and the Office began the 2013/14 year with the remaining six Assistant Auditor Generals. On May 28, 2013, Russ Jones was sworn in as Auditor General and Malcolm Gaston became Deputy Auditor General. Exhibit 1 shows the ensuing and current operational structure of the Office.

While the portfolios appear segregated in Exhibit 1, Office staff collaborate across portfolios in the conduct of their work. For example, given the cyclical nature of financial audits, staff members from these portfolios often contribute to work in other portfolios throughout the year. This integration of skills and knowledge ensures more effective results than could be achieved if each portfolio operated in isolation.

Internal Audit Committee

The Internal Audit Committee is comprised of external experts in external audit, internal audit and governance. This committee oversees a program of internal scrutiny of the Office's administrative and operational practices, providing the Auditor General with an external perspective on the effectiveness of the Office's operations. The committee also acts as a traditional corporate audit committee, overseeing the external audit of the Office's annual financial statements.

FINANCIAL AUDIT

Financial audit is our largest line of business. This work includes auditing the Province's Summary Financial Statements and examining issues related to financial management.

The Summary Financial Statements encompass nearly 170 government entities, including core government, Crown corporations, trusts, colleges, school districts, universities, health authorities and other public-sector entities.

What is a Financial Audit?

Financial audits are performed to obtain assurance as to whether an organization's financial statements are free of material errors[1] and presented fairly. During a financial audit, an auditor determines whether, based on the audit evidence obtained, the financial statements as a whole are free of material (significant) misstatement. The auditor then provides his or her formal "opinion."

This opinion (which looks like a short letter; see page 37) is attached to the front of the organization's financial statements to provide assurance that those statements are presented in accordance with Canadian Public Sector Accounting Standards and have been scrutinized by an independent auditor. For more information, visit www.bcauditor.com/FAguide.

1 According to the Canadian Auditing Standards (CAS 320), "misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements."

It is the largest audit performed in the province and provides assurance to legislators, credit rating agencies and British Columbians as to whether the financial statements present fairly the financial position and operating results of the Province.

The work takes nearly 70 staff in the Office over 45,000 hours to complete and requires assistance from approximately 29 other public accounting firms. Our 2012/13 audit of government's Summary Financial Statements, which concludes at the end of June 2013, is estimated to include:

- $43 billion in revenues;
- $44 billion in expenses; and
- $78 billion in assets.

The opinion on the Summary Financial Statements is the Auditor General's alone, but in British Columbia the audit of the public-sector entities is accomplished through the combined work of the Office of the Auditor General and private-sector auditors.

PERFORMANCE AUDIT

Our performance audits are conducted in accordance with the assurance standards of the Canadian Institute of Chartered Accountants. The Office conducts performance audit work in many sectors, including health, education, transportation, the environment and information technology.

Key areas of interest for the Office include risk management, governance and accountability. Given the significant size and scope of its operations, government cannot make fully informed decisions without being aware of the numerous risks it faces within the province. Good governance in public-sector organizations provides clear and ethical direction, anticipates risks and communicates effectively on performance. Accountability is a key component of good governance and, for over a decade, the Office has emphasized the need for better public accountability reporting by government.

Potential performance audit topics come from a variety of sources. We regularly assess the government environment and encourage suggestions from Members of the Legislative Assembly, as well as the general public.

What is a Performance Audit?

Performance audits assess the wider management issues affecting an organization or program to determine whether the organization or program is achieving its objectives effectively, economically and efficiently. These audits are sometimes called "value for money" audits because they can help determine whether value is received for the money spent. For more information, visit www.bcauditor.com/PAguide.

PLANNING, FUNDING AND REPORTING CYCLE

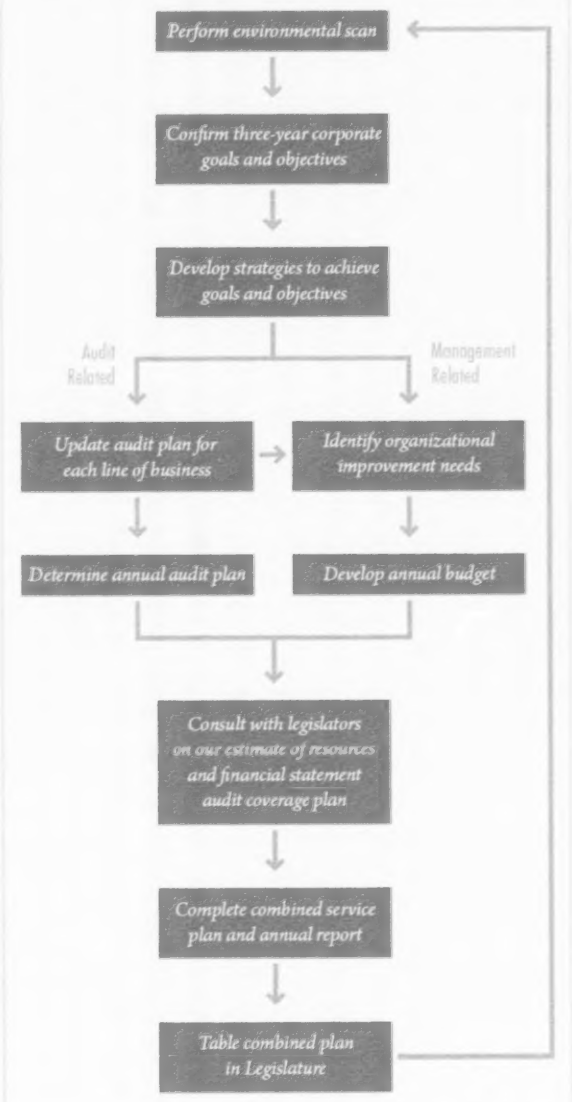
The Office's annual planning, funding and reporting cycle (Exhibit 2) determines how our corporate goals and objectives guide the development of our work plans and daily operations.

Our planning cycle begins in November when the Auditor General submits a Financial Statement Audit Coverage Plan (FSACP) to the Select Standing Committee on Public Accounts (PAC). The FSACP outlines a three-year financial audit plan for the Auditor General.

While the Office of the Auditor General directly audits all central government operations, including all government ministries, we do not have the capacity to audit all organizations in the government reporting entity (GRE) directly. The FSACP details which organizations in the GRE the Auditor General will audit directly and which will be audited by private-sector auditors. For those organizations audited by private-sector auditors, the Auditor General has either limited or moderate ("oversight") involvement.

- "Limited involvement" means a private sector firm is appointed auditor of the organization or trust fund. The Auditor General ensures that professional requirements are met by, for example, communicating with the appointed auditor on our intended reliance on their work, and directing or reviewing audit work as required. The OAG will also communicate with the auditor if there is a specific issue in the organization or sector that needs to be addressed, and may require specific information be provided or additional audit work be performed. As well, a sample of the auditor's files may be reviewed.
- "Moderate involvement" means that the Office conducts extended procedures, such as attending audit committee meetings and reviewing the appointed auditors' audit plans and year-end audit files to understand the business of, and issues in, these organizations.

Exhibit 2: The Office's planning, funding and reporting cycle


Perform environmental scan
Confirm three-year corporate goals and objectives
Develop strategies to achieve goals and objectives
Audit Related
Management Related
Update audit plan for each line of business
Identify organizational improvement needs
Determine annual audit plan
Develop annual budget
Consult with legislators on our estimate of resources and financial statement audit coverage plan
Complete combined service plan and annual report
Table combined plan in Legislature

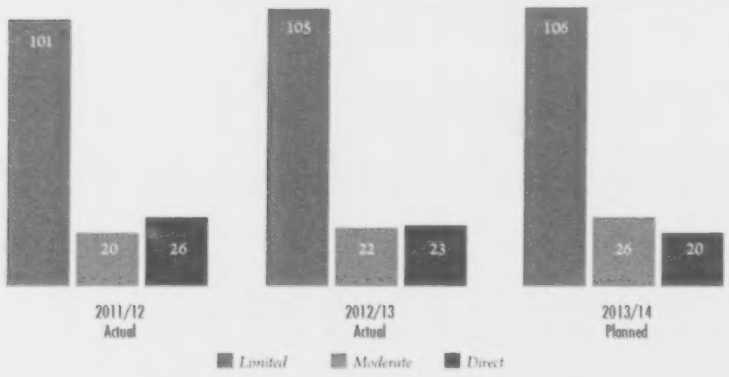
The Select Standing Committee on Public Accounts

The Public Accounts Committee (PAC) is an all-party committee of the Legislative Assembly, chaired by a member of the official Opposition. The Auditor General must provide a Financial Statement Audit Coverage Plan (FSACP) each fiscal year under section 10(6) of the *Auditor General Act*.

The Auditor General's published reports are also referred to PAC in accordance with section 11(10)(d) of the Act.

Exhibit 3 shows a three-year summary of the Auditor General's level of involvement in each organization in the GRE, not including government's ministries. In recent years, we have rotated our direct involvement out of smaller Crown corporations where continued coverage was not justified. These changes were made based on feedback from PAC.

Exhibit 3: The Auditor General's level of involvement with each public-sector entity in the government reporting entity, excluding ministries, 2011/12, 2012/13 and 2013/14



Whether the Auditor General has direct, limited or moderate involvement in each entity's audit, the Auditor General must, under Canadian auditing standards, have sufficient knowledge and understanding of each entity. This provides him, or her, with the necessary assurance to sign the annual audit opinion on government's Summary Financial Statements.

Once the FSACP is approved by PAC, we combine the cost of carrying out the work identified in the plan with the cost of carrying out our other lines of business and support services. The result forms our estimate of resources (or required budget). We then submit our estimate of resources for approval to the Select Standing Committee on Finance and Government Services[2]. Once approved, our estimate is included in the main estimates[3] of the Province.

2 The Select Standing Committee on Finance and Government Services, an all-party committee of the Legislative Assembly, reviews the budget submissions of the independent Officers of the Legislature.
3 "Estimates" are the detailed breakdown of proposed spending by ministry and government agencies that must be debated and approved by the Legislative Assembly of British Columbia.

The *Auditor General Act* establishes the public reporting expectations for the Office of the Auditor General of British Columbia. To ensure an even higher standard of accountability and transparency when reporting on our performance measures, we follow the *Performance Reporting Principles for the British Columbia Public Sector* – commonly known as the B.C. Reporting Principles. These principles were agreed upon in October 2003 by government, PAC and the Office of the Auditor General.

This *2012/13 Annual Report and 2013/14–2015/2016 Service Plan* identifies the four immediate outcomes, the supporting strategies, and the performance measures and associated targets we established for 2012/13. There were no changes to our guiding principles, values or immediate outcomes in 2012/13 from the previous year's annual report and service plan.

STRATEGY, PRINCIPLES AND VALUES

Our Strategic Framework

Our guiding principles (our vision, mission, goals and values) lay the foundation for the strategic framework that guides the Office. This framework ensures that we continue to fulfil our legislated mandate and remain accountable to our stakeholders: British Columbians and their elected representatives.

Guiding Principles

The Office's vision, mission and goals flow directly from our legislated mandate to our operational lines of business (Exhibit 4).

Exhibit 4: The Office's guiding principles

MANDATE	VISION	MISSION	GOALS
The *Auditor General Act*	A highly valued, independent legislative audit office recognized for excellence in promoting effective and accountable government.	To serve the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources.	To adopt best practices in our work and as an employer and to promote: 1. sound financial administration and reporting, 2. well-managed provincial programs, services and resources, 3. comprehensive public-sector accountability reporting, and 4. effective public-sector governance.

Values

Using our guiding principles as a foundation, we identified values that guide how we conduct our business, both externally and internally.

VALUES

External Focus

- Serving the public interest: being relevant to legislators and the public.
- Independence and objectivity: being free of influence, conflict of interest and bias.
- Trust and integrity: treating those with whom we have contact honestly and meeting our commitments consistently.

Internal Focus

- Mutual respect: managing and interacting on the basis of fairness, equity, honesty, trust and personal dignity.
- Teamwork: cooperating, supporting and respecting each other's contributions.
- Work-life balance: supporting quality-of-life endeavours and respecting personal commitments.

CRITICAL SUCCESS FACTORS

Independence, credibility and capacity are the three factors critical to the Office's success. These factors build on the foundation of our guiding principles and values, and are essential for everything we do.

Independence

Above all else, we must remain independent of government and the government organizations we audit. The *Auditor General Act* contains provisions to safeguard the Office's independence. For example, the Auditor General can be appointed by the Legislative Assembly only on the unanimous recommendation of an all-party committee. As well, the Auditor General is accountable, and reports directly, to the Legislative Assembly – not to the government of the day.

The need for independence applies equally to the Auditor General's staff. As a condition of employment, all staff are obligated to remain free of associations that could potentially impair their independence.

The Office's independence helps us produce work that our stakeholders consider relevant, in that we are able to look at what Members of the Legislative Assembly (MLAs) and the general public believe to be key issues or areas of concern. The Office is not influenced by political or other external pressures that may deter us from conducting certain audits.

Pride in the Office's role and our work

According to our 2012/13 work environment survey, 85 percent of staff agreed with the statement "I am proud of the work I do"; and the same percentage considered their work "meaningful"; and 83 percent were proud to work for the Office.

Credibility

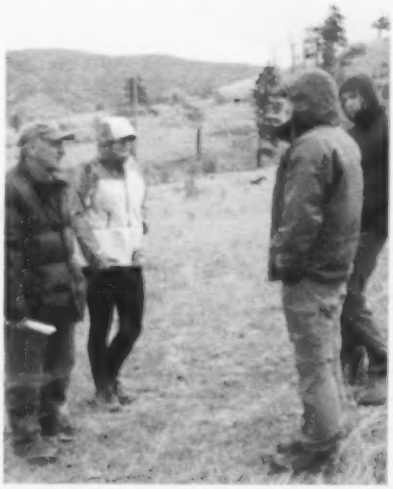
To be of value to the Legislative Assembly and all British Columbians, our reports and audit opinions must be considered credible. We achieve credibility by maintaining our independence and adhering to our guiding principles and professional standards.

We engage in internal quality control measures such as internal file inspections, and executive-level review and challenge. Coupled with rigorous standards, these procedures ensure that our work meets professional auditing standards and reinforce our credibility.

We are also a licensed practising office of the Institute of Chartered Accountants of British Columbia (ICABC).

Therefore, in addition to adhering to auditing standards, our auditors follow the ICABC code of conduct. As with public accounting firms, the ICABC reviews our work periodically to confirm we are meeting its professional standards. This is another way of reinforcing our credibility.

When our Office is credible and reliable, our work provides value to our stakeholders. Our credibility allows us to produce work on topics that we feel MLAs and the general public will find interesting and appropriate. We aim to make timely recommendations to improve government's performance. The Office's value is a result of producing timely and relevant work.



Audits can require staff to conduct fieldwork in different parts of B.C. Here, Audit Associate Monika Miskiewicz and Auditor Beth Schaeszczyk meet with staff from the Ministry of Forests, Lands and Natural Resource Operations in Kamloops.

Capacity

Our third critical success factor, capacity, comes from having a sufficient quantity and quality of resources at our disposal.

Quantity of resources

In accordance with the *Auditor General Act*, the Auditor General annually provides the Select Standing Committee on Finance and Government Services with an estimate of the resources the Office requires to perform its duties over the next three years (see page 5). The committee may adjust the estimate as it deems appropriate. Given that the Auditor General provides the Legislature with credible, relevant and valuable information, the Office expects it will receive the full amount of funding specified in the estimate of resources.

To make the best use of the quantity of resources we receive, the Office must be efficient – especially when those resources are limited. This means we must produce the optimal volume of work possible while still maintaining our high audit standards.

Assistant Auditor General Malcolm Gaston and Audit Associates Chrystel Somers and Lillian Kuo accept the awards for best participation rate and most improved participation rate (medium-sized organization category) for the 2012/13 Provincial Employees Community Services Fund campaign from Deputy Minister Corrine MacDonald. Our staff contributed over $19,000 to the fund, with 99 percent of staff participating.

Quality of resources

The majority of our audit staff have professional accounting designations and many have additional credentials to accompany their broad experience base (Exhibit 5). Several of our performance auditors are subject matter experts in areas such as business, public administration, law, education, social and environmental sciences, human resources and health care, and many hold advanced degrees or certifications.

Exhibit 5: Number of certifications and designations held by Office staff as of March 31, 2013

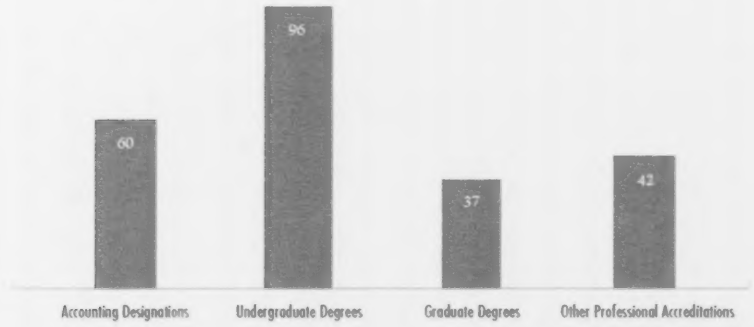
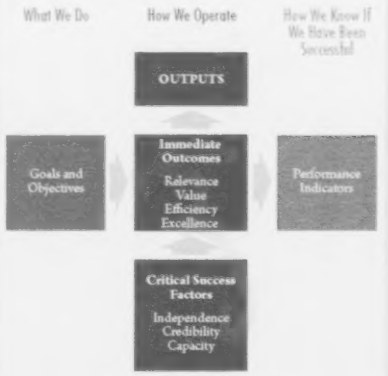


Exhibit 6: The Office's operating framework



In order to have quality staff to do the Office's work, we strive to be an excellent employer that attracts and retains high-quality employees. The Office endeavours to earn high employee engagement scores, meet professional standards and maintain positive, professional relationships with our auditees.

Exhibit 6 shows how the three critical success factors relate to our overall operating framework.

OUTPUTS, TARGETS AND DATA

Outputs and Immediate Outcomes

Under the authority of the Auditor General's mandate, we use our resources to produce, among other things, reports, audit opinions and best-practice guides, as well as to provide advice.

We measure our performance through four immediate outcomes: relevance, value, efficiency and excellence. These outcomes contribute directly to our vision of being a highly valued legislative audit office and highlight factors that we feel add the greatest value for our primary client group, the Legislative Assembly.

Key Performance Indicators

Our four key performance indicators measure our success in achieving these outcomes, and allow us to compare our results and analyze our performance. We considered the following factors when selecting our key performance indicators:

- relevance of the indicators in relation to our strategic goals;
- validity of the indicators (i.e. whether they measure what they are intended to measure);
- availability and reliability of data;
- clarity, comprehensiveness and transparency of the indicators; and
- ability of the indicators to provide reliable comparisons over time.

The relationship between our immediate outcomes and our key performance indicators can be seen in the Office's strategic framework (Exhibit 7). In addition to our key performance indicators, we track secondary performance measures for each outcome.

Exhibit 7: The Office's strategic framework

STRATEGIC DIRECTION

VISION

A highly valued, independent legislative audit office recognized for excellence in promoting effective and accountable government.

MISSION

To serve the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources.

VALUES

External focus

- Serving the public interest: being relevant to legislators and the public.
- Independence and objectivity: being free of influence, conflict of interest and bias.
- Trust and integrity: treating those with whom we have contact honestly and consistently meeting our commitments.

Internal focus

- Mutual respect: managing and interacting on the basis of fairness, equity, honesty, trust and personal dignity.
- Teamwork: cooperating, supporting and respecting each other's contributions.
- Work-life balance: supporting quality-of-life endeavours and respecting personal commitments.

GOALS

To adopt best practices in our work and as an employer and to promote:

1. sound financial administration and reporting,
2. well-managed provincial programs, services and resources,
3. comprehensive public sector accountability reporting, and
4. effective public sector governance.

CRITICAL SUCCESS FACTORS

INDEPENDENCE

The Office must remain independent of the government and government organizations that we audit. We are accountable to and report directly to the Legislative Assembly, and not the government of the day.

CREDIBILITY

The Office's credibility is achieved by maintaining independence and adhering to principles and professional standards.

By adhering to Canadian generally accepted auditing standards and actively engaging in internal quality control, our work meets professional audit standards.

The Office also follows the Institute of Chartered Accountants of British Columbia code of conduct and is reviewed by the Institute periodically.

CAPACITY

Quantity of resources

The Office annually presents to the Legislature a credible and relevant estimate of the resources required to perform the Office's duties, based on efficient resource allocation.

Quality of resources

The majority of audit staff have accounting designations. Office staff may hold additional credentials that assist them in their field of focus.

IMMEDIATE OUTCOMES

RELEVANCE

Addressing key issues or areas of concern to British Columbians and their elected representatives in our audit work.

Enhancing the credibility of the provincial government's financial reporting through our audit work on the Summary Financial Statements.

Producing audit opinions, reports and other information that are timely and responsive to the concerns of MLAs and the public.

Contributing to better government by providing useful recommendations.

VALUE

Producing audit opinions, reports and other information that MLAs and the entities we audit find valuable, accessible and useful – while still meeting or exceeding professional audit and accounting standards.

EFFICIENCY

Using the funding the Office receives to produce the optimal volume of work, and by extension, the impact our work has.

EXCELLENCE

Maximizing employee engagement, meeting professional standards, and maintaining positive, professional relations with our auditees.

KEY PERFORMANCE INDICATORS (KPIs)

RELEVANCE

Percentage of performance audit reports completed in response to questions from MLAs and British Columbians.

VALUE

Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government.

EFFICIENCY

Number of reports, resources and opinions completed.

EXCELLENCE

Staff motivated and inspired ("engaged") by their work.

Setting Targets

We strive for continuous improvement and, to that end, set "stretch targets" for our key performance indicators. At the same time, our targets must be grounded in risk assessment and past performance and, where possible, be informed by benchmark comparisons. The latter are challenging to find because other legislative audit offices measure their performance in different ways, have different degrees of public accountability and, in some cases, have different mandates.

Ensuring Data Reliability

The performance data in this report is obtained from three main sources: the Office's internal management information systems, our publicly available audit reports and third-party analytics data. Data sources and quality are described for each key performance indicator. Data reliability means that:

- performance data in this annual report is reliable and verifiable and has been independently assessed by external auditors (see page iii);
- internally generated data is compiled by internal financial and communications groups;
- externally generated data is provided by professional, third-party survey providers producing data on our behalf; and
- any significant limitations in the quality of the data presented are fully disclosed.

Exhibit 8 shows the summary of our 2012/13 key performance indicator (KPI) results and their connection to our immediate outcomes.

Exhibit 8: Summary of 2012/13 performance results

Immediate Outcome	Key Performance Indicator	Target	2011/12 Actual	2012/13 Actual
Relevance	Proportion of performance audit reports completed in response to questions from MLAs and British Columbians	10–20%	8%	14%
Value	Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government	80%	79%	n/a[4]
Efficiency	Number of reports, resources and opinions completed	69	70	69
Excellence	Staff motivated and inspired ("engaged") by their work (measured by BC Stats' overall engagement score)	75	74	74

RELEVANCE

Definition

Relevance means:

- addressing key issues or areas of concern to British Columbians and MLAs in our audit work;
- enhancing the credibility of the provincial government's financial reporting through our audit work on the Summary Financial Statements;
- producing audit opinions, reports and other information that are useful to, and readily understood by, MLAs and members of the public; and
- contributing to better government by providing useful recommendations, both in our public reports and in our communications with the management of audited organizations after each audit.

We determine our relevance by assessing the proportion of performance audit reports we complete in response to questions or suggestions from MLAs and British Columbians. Our audit topic selection process considers long-term risks and significance, balanced with the need to respond to current issues and audit topics suggested by legislators and the public. (For more information on how the Office selects audit topics, visit the Frequently Asked Questions page of our website.)

We consider our work relevant when our Financial Statement Audit Coverage Plan is endorsed by the Select Standing Committee on Public Accounts. We also gather feedback from MLAs as to whether they find our publications timely and responsive to current issues. We track public interest in our work by monitoring the number of times our reports and other materials are viewed online. Finally, we monitor the implementation status of our reports' recommendations.

4 Due to the timing of the 2013 provincial election, the Office did not survey MLAs this year. The survey will resume in 2013/14.

Key Performance Indicator

One of the Office's key operational objectives is to be responsive to our clients: British Columbians and their elected representatives. As such, we encourage MLAs and members of the public to provide suggestions for audit topics to the Office by mail, email at bcauditor@bcauditor.com or at www.bcauditor.com.

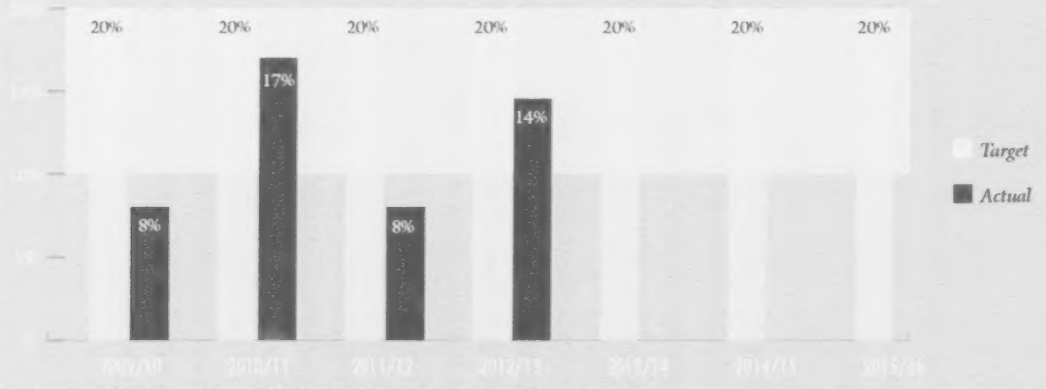
We receive audit suggestions year-round from MLAs, the public, non-profit organizations, labour organizations, industry associations and academic researchers. In 2012/13, our Office received 426 items of correspondence via email, letter, telephone or webform. The Auditor General and his senior staff review and reply to all direct correspondence, including suggestions for audits. As appropriate, audit suggestions are incorporated into our planning processes for both financial and performance audits. Alas, not all suggestions can be pursued. While we do our best to incorporate as many as possible into our work, some do not fit within our audit selection criteria and overall, we receive many more suggestions than we have the capacity to address. In other cases, suggestions are outside of the Office's mandate and would be better addressed by another Independent Office, such as the Office of the Ombudsman, the Representative for Children and Youth, or the Office of the Information and Privacy Commissioner. In these situations, we suggest that the writer forward their letter to the appropriate Office.

In our view, the proportion of performance audit reports originating from an external source is indicative of our responsiveness to our clients and, by extension, the relevance of our work. In 2012/13, three of the 22 performance audit reports we completed (or 14 percent) came from an external source (Exhibit 9).

Exhibit 9: Work completed in response to questions from MLAs and British Columbians, 2012/13

Report	Source of suggestion
An Audit of Carbon Neutral Government	Member of the Legislative Assembly
Striving for Quality, Timely and Safe Patient Care: An Audit of Air Ambulance Services in B.C.	Member of the public
Auditor General's Opinion on the Audit of Selected Police Complaints & Investigations Under Part 11 of the Police Act	Legislative Committee

Performance Indicator 1: Percentage of work completed in response to questions from MLAs and British Columbians, 2012/13



Source: Office of the Auditor General of British Columbia management information system

Looking Ahead

We do not control the quality, quantity or relevance of the requests we receive and, therefore, it is challenging to commit to a pre-determined number of audits derived from external suggestions. However, we actively invite audit suggestions on our website, at meetings with MLAs and PAC, through the YouTube video presentations of our reports and in our responses to correspondence. We continue to anticipate that between 10 to 20 percent of our performance audit reports each year will be in response to external suggestions.

Other Indicators of Relevance

Financial Statement Audit Coverage Plan

Our work is relevant when it enhances the credibility of the provincial government's financial reporting. We achieve this by developing an appropriate Financial Statement Audit Coverage Plan (FSACP) for our audit work in support of our opinion on the Summary Financial Statements, in accordance with audit standards. Our 2013/14–2015/16 FSACP was endorsed without changes by the Select Standing Committee on Public Accounts in November 2012.

The Office bases our level of involvement with each organization on an assessment of risk. Relevant risks we consider include whether the organization:

- delivers a core service;
- has a high level of public interest;
- is significantly funded by Government;
- has significant financial impact on the Summary Financial Statements;
- has a high inherent risk to government (with respect to programs delivered or roles fulfilled);
- is a complex organization;
- likely has future issues that could materially impact the Summary Financial Statements; or
- has other risk-based factors.

Our highest level of involvement continues to be with Crown corporations. Crown corporations tend to be more significant than other government entities in terms of expenditures, and to carry more risk to government as a whole. In 2012/13, we were involved in 14 direct and four oversight audits of the 42 Crown entities. For 2013/14, we will be involved in 11 direct and 10 oversight audits of the now 45 Crown entities.

Relevance to the public

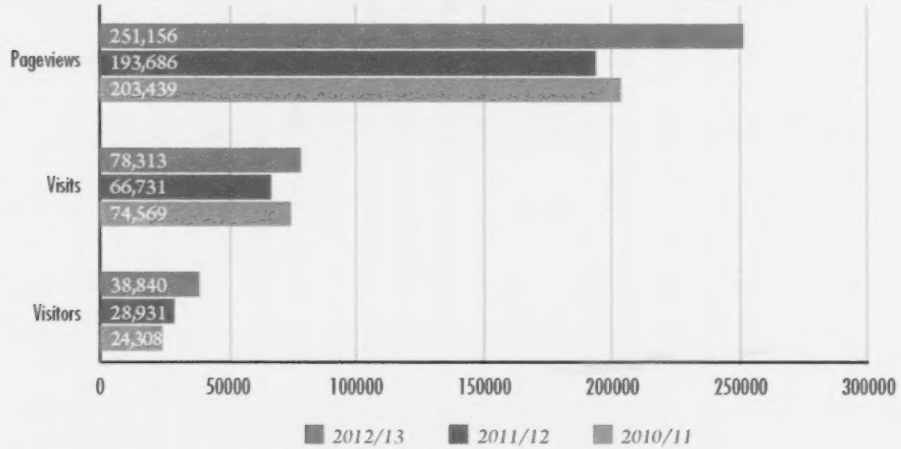
To help us monitor whether the public considers our work relevant to their needs and interests, we track the number of times each of our reports is downloaded from our website (Exhibit 10). As part of our commitment to sustainability and the environment, we have only produced electronic formats of our reports since 2010. They must, therefore, be downloaded to be read. While the numbers alone do not indicate whether our work is considered relevant, download rates do demonstrate public interest in our work, and suggest that members of the public find our work relevant to their needs and interests. In 2012/13, 219 individual reports were downloaded a total of 18,472 times from our website.

Exhibit 10: Ten most downloaded reports from www.bcauditor.com in 2012/13

Tabling Date	Title	Downloads
July 27, 2012	*Audit of the Legislative Assembly's Financial Records*	1,093
March 27, 2013	*An Audit of Carbon Neutral Government*	1,025
June 29, 2012	*Annual Report 2011/12 and Service Plan 2012/13-2014/15*	951
February 22, 2013	*An Audit of Biodiversity in B.C.: Assessing the Effectiveness of Key Tools*	898
January 24, 2013	*Securing the JUSTIN System: Access and Security Audit at the Ministry of Justice*	818
May 23, 2012	*Crown Agency Board Governance*	714
December 16, 2010	*Guide for Developing Relevant Key Performance Indicators for Public Sector Reporting*	682
March 13, 2013	*Audit of the Legislative Assembly's Financial Records: Update*	633
February 16, 2012	*An Audit of the Ministry of Forests, Lands and Natural Resource Operations' Management of Timber*	538
December 6, 2012	*Summary Report: Results of Completed Projects and Other Matters*	508

We also track usage of our website overall, although we have not previously reported the numbers. Exhibit 11 shows a comparison of visits, unique visitors and pageviews[5] for the last three fiscal years, with an overall increase from 2010/11, indicating that the website continues to be a primary point of access to the Office's information and materials.

Exhibit 11: Website usage



5 'visits' means individual sessions, 'unique visitors' are individuals who have accessed our site, and 'pageviews' means views of individual pages on our site.

Since October 2011, we have posted video presentations of our reports online. In 2012/13, we posted video summaries of 14 different projects, which were viewed 3,283 times (Exhibit 12). This is the first full year for which we have such statistics. We look forward to comparing them to next year's numbers to see if British Columbians are increasingly engaging with our work in this new format.

Exhibit 12: Views of report video presentations on YouTube, 2012/13

Published	Report	Views
March 27, 2013	*An Audit of Carbon Neutral Government*	908
March 13, 2013	*An Audit of the Legislative Assembly's Financial Records: Update*	355
July 10, 2012	*Analysis of IT Audit Findings 2012*	355
January 24, 2013	*Securing the JUSTIN System*	274
February 22, 2013	*An Audit of Biodiversity in B.C.: Assessing the Effectiveness of Key Tools*	249
May 23, 2012	*Crown Agency Board Governance*	182
July 19, 2012	*Audits of Two P3 Projects in the Sea-to-Sky Corridor*	178
December 4, 2012	*Observations on Financial Reporting: Summary Financial Statements 2011/2012*	160
March 28, 2013	*Audit of the Evergreen Line Rapid Transit Project*	128
February 28, 2013	*Health Benefits Operations: Are the Expected Benefits Being Achieved?*	122
March 22, 2013	*Air Ambulance Report Summary*	114
August 9, 2012*	*Audit of the Legislative Assembly's Financial Records*	105
April 16, 2012	*An Audit of Legislative Compliance and Public Accountability Practices in the Three Statutory Trusts*	98
October 1, 2012	*Follow-up Report: Fall 2012*	55

* A corrected version of this presentation was posted on September 18, 2012. This number combines the total views of both videos.

Implementation of recommendations

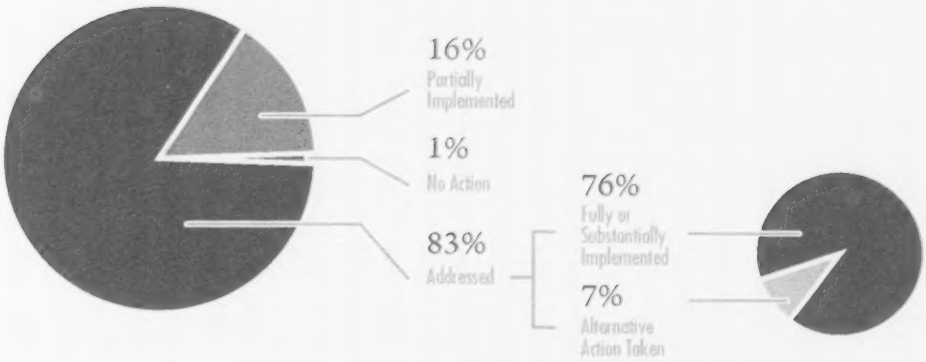
For our work to be relevant, our reports must make useful recommendations that can be implemented to improve government's performance. In 2012/13, our public reports contained 86 such recommendations. We monitor the implementation of recommendations by asking audited organizations to provide us with a self-assessed progress update 6-12 months after the report is published. (For more information, visit www.bcauditor.com/follow-up-process.) While we expect most recommendations to be addressed by the time of the first follow-up review, others may take years to implement. In yet other cases, the organization may find alternative ways to address underlying issues.

We have tracked organizations' self-assessed implementation recommendations since the beginning of our regular follow-up process (October 2008). Of the 630 recommendations included in our follow-up reports since October 2008, 83 percent were assessed by the audited organization as having been addressed as of March 2013 (Exhibit 13). Of those, 76 percent were deemed to have been fully or substantially implemented and 7 percent were addressed through alternative action. This high implementation rate speaks to the dedication of the organizations and reinforces the relevancy of the Office's work in promoting effective, efficient and economical management in government.

Exhibit 13: Cumulative self-assessed implementation status of recommendations, October 2008 - March 2013

107
self-assessments completed by government organizations.

630 recommendations followed-up on:
- 520 addressed through implementation or alternative action
- 103 partially addressed
- 7 with no action taken



VALUE

Definition

The most meaningful indication of the extent to which the Office adds value is from the perspective of MLAs and British Columbians. We recognize that value is highly subjective, especially in a politically polarized environment such as the Legislative Assembly.

Value is derived from producing audit opinions, reports and other information that:

1. are considered by MLAs and the entities we audit to be valuable, accessible and useful; and
2. meet professional audit and accounting standards. In other words, for our work to be valuable it must both promote efficient and accountable government and be useful to British Columbians' elected representatives in their work.

Key Performance Indicator

Since 2008, the Office has conducted an annual survey of all MLAs to help us measure the value we provide. This year, however, the timing of the survey conflicted with the lead-up to the provincial election, and it was decided that the survey would not be conducted. We are committed to resuming our annual survey in 2014.

Performance Indicator 2: Percentage of MLAs surveyed who believe the Office's work over the last year promoted efficient and accountable government

Source: Office of the Auditor General of British Columbia surveys of MLAs

Other Indicators of Value

Useful publications

For our work to provide value, our publications must be useful. We strive to make our work readable, comprehensive and relevant, and have introduced a variety of new formats to enhance how we communicate the Office's work. Over the past few years, we published summary and compendium reports in addition to traditional audit reports, as well as guides and information pieces.

We also completed numerous management letters, which are not public documents. Management letters tend to be technical documents with very detailed observations and recommendations. These detailed letters are often provided to the management of an entity on which an audit, review or investigation has just been completed. A brief summary report may be released publicly.

In addition, the Office produces resources such as guides and information pieces to explain particularly complex topics to our stakeholders. Our resource publications were downloaded 3,904 times in 2012/13, with the most downloaded resource being our *Health Funding Explained* information piece (891 downloads).

Meetings with legislators

In 2012/13, the Auditor General had 18 meetings with individual MLAs in order to strengthen relationships with this stakeholder group. Feedback suggests that these visits help MLAs better understand the Auditor General's role. As part of the Office's public education efforts, and most importantly, to establish strong working relationships, the Auditor General will continue to meet with MLAs in the coming year, with a particular focus on new members.

Assistant Auditors General Morris Sydor and Bill Gilliovaly (centre) meet with members of the Provincial Legislature from Eastern Cape, South Africa

Value to auditees

We always invite the Minister, Deputy Minister or other individuals responsible for the audited organization to formally respond to our work as part of the report. These response letters usually indicate that they valued our work.

Providing value in our field

The Office welcomes opportunities to present and speak about our work to further its impact and value. In 2012/13, Auditor General John Doyle and other representatives from the Office presented to numerous groups at conferences and similar events, such as:

- the Pacific Northwest Intergovernmental Audit Forum
- the Meeting of National Performance Auditors, Mexico
- the Shanghai Municipal Audit Bureau

We also work with other legislative audit offices to share best practices and knowledge, and provide value in our field. This year, the Office hosted delegations from the Eastern Cape Legislature in South Africa and the Chinese National Audit Office.

Staff continue to be involved in provincial and national boards and committees related to the accounting profession. In addition to Auditor General Russ Jones' participation, described on page 1, Executive Director Jason Reid is a member of the ICABC's Practice Review and Licensing Committee, which is responsible for overseeing the regulation of members in public practice.

"The Government appreciates the Auditor General's recommendations on how we can improve the program. We will move forward on these recommendations and have already accomplished a lot in these areas while the audit has been underway."

– Ministry of Environment's response to *An Audit of Carbon Neutral Government*.

"...the VCH Board and Ministry of Health believe that the Auditor General's report provides useful guidance on how to improve roles and responsibilities regarding governance and will use the report to inform our management of Vancouver Coastal Health."

– Ministry of Health and Vancouver Coastal Health Authority response to *Crown Agency Board Governance*

EFFICIENCY

Definition

Efficiency drives the volume of work we generate and, by extension, the impact we exert. We are a public-sector entity and, therefore, the amount of work we can produce is constrained by the funding we receive. For 2012/13, we received total funding of $15.752 million. It is our responsibility to use our funding efficiently to produce maximum output.

Key Performance Indicator

Our primary outputs are financial statement audit opinions and performance audit reports, reviews and guides. Assuming a relatively constant appropriation over time, the number of audit opinions and publications we produce is a broad measure of the Office's overall efficiency. The Office maintained similar full-time equivalent staff counts in 2011/12 and 2012/13, with an average of 111 and 109 staff respectively. We continue to improve our project management and topic identification processes, as well as our use of staff resources.

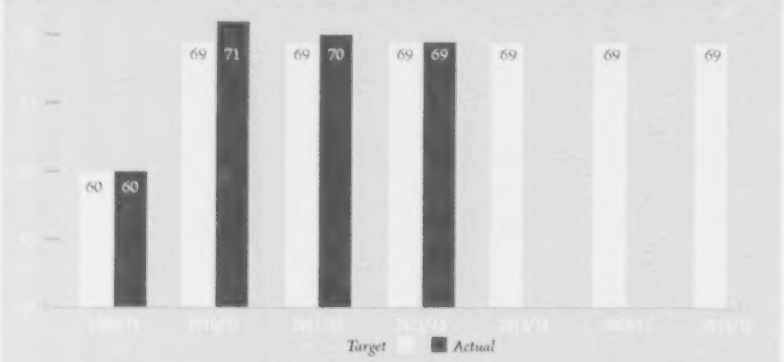
In 2012/13, we released 69 reports, resources and opinions, thereby meeting our target total of 69 (see Appendix A for the full list).

Looking Ahead

The number of publications the Office produces is strongly influenced by the types of projects we undertake. Generally speaking, performance audits tend to be significantly more expensive to complete than financial statement audits. As well, the time and resources required to complete a performance audit vary considerably depending on the subject and scope. Therefore, the number of performance audits we produce is limited by our appropriation and capacity.

To maximize efficiency, our financial audit staff are assigned to performance audit projects based on staff availability and level of experience. While this strategy necessitates additional employee training, it offers our financial audit staff the opportunity to expand their skill sets while also providing useful financial audit expertise to our performance audit teams.

Performance Indicator 3: Number of reports, resources and opinions completed



Source: Office of the Auditor General of British Columbia management information system

In October, the Office held its second model Public Accounts Committee (PAC) meeting, in partnership with the Clerk's Office. This year's participants were a grade seven class from Cedar Hill Middle School. Following a tour of the Legislature, the students took on the role of PAC members for presentations on the Office's 2012 report, *An Audit of the Ministry of Forests, Lands and Natural Resource Operations' Management of Timber*. They then had the opportunity to ask questions about the report to B.C.'s Chief Forester, Dave Peterson, and Auditor General John Doyle.

Other Indicators of Efficiency

Responding to public queries and audit topic suggestions

The Office welcomes audit suggestions and queries from the public, and has a process in place to ensure that all suggestions for audit topics are reviewed by the Auditor General and his senior staff. In 2012/13, we received 426 such items of correspondence via email, letter, telephone or webform.

Auditor General John Doyle (centre) poses with members of the Watchdogs prior to the TC10K race. Thirty-three staff members participated in 2012, and the Watchdogs finished ninth overall in the government team standings.

We track our response rate to monitor the efficiency of our internal processes and to ensure that those who take the time to write to the Office receive a response within a reasonable length of time. Because of the varying complexity of the correspondence we receive, we aim for an average response time of seven days. In 2012/13, our average response time was 8.3 business days.

EXCELLENCE

Definition

To the Office, excellence means ensuring that our professional staff complete their work to the highest standards and always strive for continuous improvement. We discuss excellence in terms of employee engagement, meeting professional standards and maintaining positive, professional relations with the organizations we audit.

Key Performance Indicator

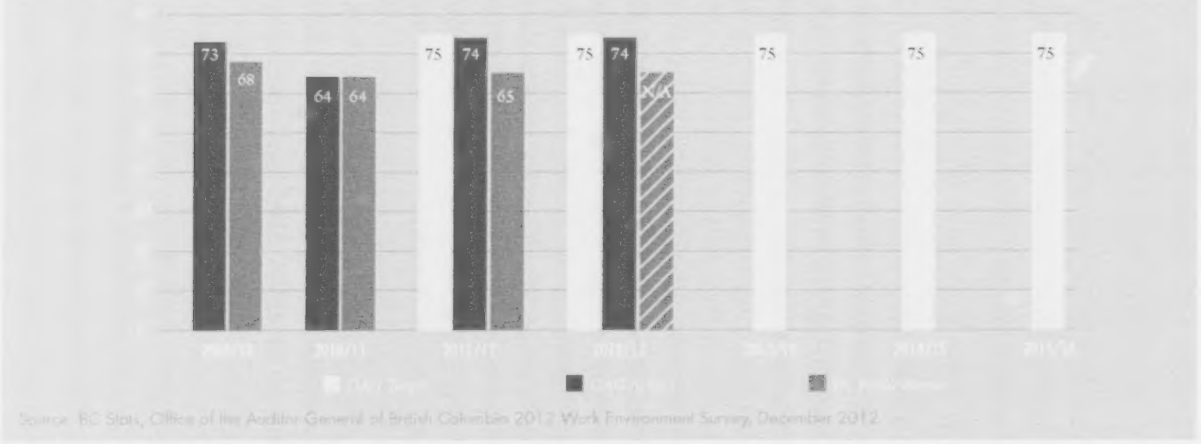
We undertake an annual work environment survey that covers key areas such as workplace values, leadership, pay and satisfaction.[6] To measure employee engagement, we track the percentage of our employee survey respondents who agree or strongly agree, with a number of statements including:

- I am satisfied with my job.
- I am encouraged to be innovative in my work.
- I am inspired to give my very best.
- I am proud of the work I do.

In 2012, the provincial government changed the WES from an annual survey to once every two years. However, the Office will continue to track engagement scores on an annual basis and compare results with the overall public service every second year. Our staff survey was sent in late 2012 and had a 96 percent completion rate, compared with 91 percent in 2011.

6 Because confidentiality is critical for survey results to be valid, the survey is conducted and information collated and analyzed by an external consultant. No individually identifiable information is provided to management.

Performance Indicator 4: Staff motivated and inspired ("engaged") by their work



Source: BC Stats, Office of the Auditor General of British Columbia 2012 Work Environment Survey, December 2012

Looking Ahead

Work engagement score targets can be challenging to meet and, as with many of our other targets, we often set stretch goals to challenge ourselves. Looking back over the past five years, we are very pleased with the strong results and the high level of staff engagement in the Office. According to BC Stats, an engagement score of 60 represents an engaged workforce. Our stretch target of 75 represents our desire to be a highly engaged organization (Performance Indicator 4), and is higher than the typical engagement score in B.C.'s public service (65 in 2011).

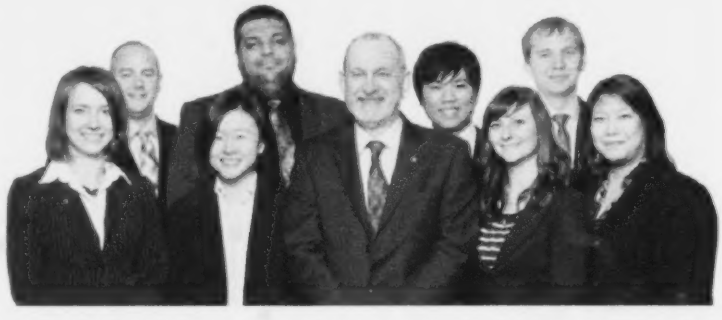
We will continue to strive for high employee engagement, which is a predictor of a high-performing organization. All of the Office's work is done through people and a high level of work engagement is critical. We have undertaken a number of strategies to encourage employee engagement, which are detailed in our Strategic Plan (see page 24).

Other Indicators of Excellence

Training future chartered accountants

The Office is licensed by the ICABC as a Chartered Accountant Training Office to train students in obtaining their Chartered Accountant (CA) designation. We are proud to have supported student audit associates in this role for over 30 years, and we take pride in providing an excellent training ground for these professionals. In 2012/13, we had 22 audit associates in various levels of training, including nine new audit associates who are beginning their three-year program of study to gain their CA designation.

In September 2012, nine associates successfully took the Uniform Final Examination (UFE), the final exam for designated Chartered Accountants.



Auditor General John Doyle (centre), pictured with eight of the associates who successfully completed their Uniform Final Examination in 2012. (from left to right) Anastasia Pavlova; Paul Lewkowich; Shannon Chang; George Tolindal Griswold; John Doyle; Pei-Cheng Weng; Laura Bridgeman; Artem Volkov and Helen (L. Hennessey (Not pictured: Prakash Mistry)

Professional development

The Office continues to make innovative and cost effective strides to increasing our capacity to delive: professional development using a variety of methods. We partnered with the BC Public Service Agency to deliver the certified Instructional Skills Workshop Network's train-the-trainer program to 11 Office staff and five B.C. government staff. The Office relies on internal staff to deliver and design most of our audit training. This program helps ensure that our training is effective and outcome based using proven adult learning techniques and therefore increases the impact of our training efforts.

Also of note, two staff members attained their Insights™ Facilitator certification, allowing the Office to deliver the Insights™ program in-house and deploy it to all staff. Everyone has a unique view of a situation, formed by our own individual perceptions and beliefs. Insights™ helps staff understand where these perceptions and beliefs come from, so we can begin to understand why other people see things differently. By understanding our coworkers better, we can begin to appreciate who they are and improve our communications with them and therefore, our efficiency at work.

Refreshed competency model

We revised and updated our competency model to better reflect all of the Office's portfolios as well as the current and future needs of our entire workforce. These new competencies help better inform our job design, recruitment, training, and performance management approach.

Secondments and exchanges

Our active secondment program facilitates reciprocal opportunities that:

- increase knowledge and skills transfer;
- stimulate innovation and spur new types of audits or more efficient audit services; and
- increase engagement and retention of high performing and high potential staff.

Historically, we have entered into a variety of temporary assignments, exchanges and secondment agreements with synergistic organizations. In 2012/13, activity included:

- two of our auditors completed secondments in Australia;
- a director of financial audit was seconded to the Legislative Assembly;
- two staff members were seconded to the RCMP; and
- we hosted two auditors and one director from the Victoria Auditor General's Office in Melbourne, Australia.

Auditee feedback

The Office strives to maintain positive, profes ional relationships with the entities we audit. When a project is completed, we conduct a short survey to request feedback about our audit teams' performance. The survey is sent directly to staff and senior management at the audited organization, and the results provide our auditors with valuable information. In 2012/13, we surveyed 147 individuals and received 97 responses. Exhibits 14 and 15 show two sets of compiled results from the performance surveys we conducted in 2012/13.

Exhibit 14: Performance survey results, 2012/13: "The audit team demonstrated an objective attitude"

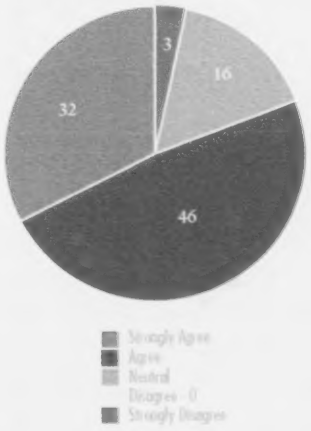
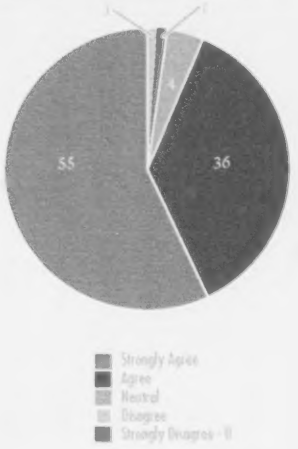


Exhibit 15: Performance survey results, 2012/13: "The audit team conducted themselves professionally"



AUDIT AREAS OF INTEREST IN 2013/14

Long-term Impacts

Long-term management by the Province continues to be a significant issue for the Office – specifically, how decisions made today will affect B.C. over the long term. To address these impacts, we will continue to conduct work in a number of critical areas including:

- fiscal sustainability
- alternative service delivery (ASD) arrangements;
- asset management;
- management of emerging issues in sectors such as health care, education, justice and social services;
- financial management and administration;
- information technology; and
- management of natural resources, agriculture and energy.

Major Investments

Closely related to long-range planning is the economy, efficiency and effectiveness of major investments in infrastructure. Some of these investment projects are highly visible, such as bridges; others are entirely behind the scenes, such as IT systems. Either way, the risks can be substantial because the products are complex, costly and developed over several years.

The Office can play a valuable role in helping citizens understand these complex investments. Citizens should be informed about whether project budgets and deliverables have been or are being well managed, giving the Office a role not only after projects are completed but also during the time that plans and critical decisions are being made.

In recent years, the Office has undertaken a number of projects in this area including audits of three public-private partnerships (P3s): the Sea-to-Sky Highway Improvement Project, Britannia Mine Water Treatment Plant Project and the Evergreen Line Rapid Transit System. In addition, the Office examined whether expected benefits of the Alternative Service Delivery arrangement to administer the Medical Services Plan and PharmaCare programs were achieved.

Outcome Focused

Government programs are put into place to accomplish certain ends. By focusing on how well government programs achieve stated ends, the Office can target the issues of greatest importance.

Over the past year, this focus has resulted in reports that provide elected officials and the public with information on how well government is meeting its objectives. For example, the Office released reports on a number of critical services and programs including: the quality and timeliness of BC's air ambulance services; the effectiveness of government in meetings its objectives to conserve biodiversity; and the effectiveness of government's actions to achieve carbon neutrality.

Governance and Accountability

Good governance is an area of ongoing interest for the Office and is important for every public-sector organization, from ministries and Crown agencies to health authorities and school boards. Many of government's programs and services also span organizational or jurisdictional boundaries and thus require good governance if they are to be delivered seamlessly.

The Office first conducted a study of Crown agency governance in 1996. The report recommended that government review the current governance system and develop a model to promote good governance. In 2008, we published guidance on best practices to educate public-sector agencies about implementing good governance principles. *Public Sector Governance: A Guide to the Principles of Good Practice* is available on our website. The Office has subsequently published a number of governance reports related to Crown Agencies and other public sector organizations.

In the past year, the Office examined board governance practices in three B.C. school districts. In addition, building on the 2009 report *Public Sector Board Use of Information in British Columbia*, the Office released a report to assess progress by examining whether boards are receiving and using information effectively. Both these reports were released in April 2013.

The Office will conduct additional governance examinations in the future to identify further opportunities for improvement at the organization level, and to assess whether there are issues that require coordinated action by central government.

The Office's July 2012 report on the *Audit of the Legislative Assembly's Financial Records* discussed the deficiencies in the management and oversight of financial records for the fiscal years ended March 31, 2009, 2010 and 2011. Since the publication of this report, the Legislative Assembly's management has accepted the Office's recommendations and implemented a number of important initiatives to address the concerns raised in the 2012 report. The Office will continue to conduct audit work on the Legislative Assembly's financial records to encourage continued improvement of financial management and oversight.

Flexibility and Interconnectedness

While it is essential for us to have plans in place to make best use of the resources entrusted to the Office, we cannot foresee every turn of events. We therefore need to remain responsive and adaptable.

New priorities, challenges and opportunities inevitably emerge through either specific audit requests or the unfolding of unexpected events. Our aim is to remain flexible so that we can respond quickly.

Improving Information

As part of our stated mission to serve the people of British Columbia and their elected representatives, we will continue to add value by helping citizens understand complex issues such as health funding. To this end we have developed publications in addition to traditional audit reports, including guides, summary reports, brochures and information pieces.

In the next year, the Office will continue to release two follow-up reports, which provide information on how government is addressing our recommendations. However, more work will be done to validate the information provided by organizations on the progress they have made in implementing report recommendations. The objective is to increase the impact of our work by ensuring timely and appropriate action is taken in response to audit findings.

PROFESSIONAL STANDARDS

The *Auditor General Act* requires the Auditor General to conduct financial statement audits "in accordance with generally accepted auditing and assurance standards." Our performance audits are also conducted in accordance with these standards.

All of our audit files are subject to multiple levels of internal review to ensure, among other things, compliance with audit and assurance standards. The audit files of private auditors providing services under contract are reviewed similarly.

We have a professional practices department to ensure that our audit practices, methodology and training comply with current standards and that we are prepared for new requirements as they evolve. This department has been particularly busy over the past few years as the Canadian accounting profession undergoes significant changes.

For example, members of the department continue to work closely with our audit teams in an audit process for auditing the transition to new accounting standards that are underway in several public-sector organizations.

Looking ahead, the Office has committed to ongoing improvements of its audit methodologies for both performance and financial statement audits, thus ensuring that we continue to conduct our work as effectively and efficiently as possible.

NEW ACCOUNTING AND FINANCIAL STANDARDS

Accounting standards in Canada have changed over the past two years and virtually every organization that produces publicly accountable external statements has now transitioned to a different reporting framework.

The provincial government directed most government organizations to adopt the accounting standards issued by the Public Sector Accounting Board of Canada (PSAB). The only exceptions applied to government business enterprises (that is, those enterprises that generate their own revenues in sufficient amount to be able to operate independently without government support), which adopted International Financial Reporting Standards.

The government directed that the move to PSAB standards had to occur in two main phases:

- Government organizations in the health or education sectors had to adopt PSAB standards in their fiscal year that begins on or after January 1, 2012.
- All other government organizations had to adopt PSAB standards in their fiscal year that started on or after January 1, 2011.

These changes were unprecedented in the province, and required significant effort by government organizations to prepare for and implement. This year saw the final implementation of these new standards for financial statement audits. To assist these organizations in transitioning to the PSAB framework, we created model financial statements, which are examples of the type of financial statement presentation and disclosures required under PSAB standards.

Our staff prepared this document in consultation with standard setters and several large private-sector audit firms. It was provided to auditors general across Canada.

As PSAB standards are updated, we will continue to update our documentation. Current versions and more information on the changes to the accounting standards are available on our website at www.bcauditor.com/modelfinancial-statements.

We are also looking at producing a guidance document for board members around questions they should ask to better understand government financial reporting.

HUMAN RESOURCES

More than one in four of the Office's staff is under the age of 30, with 50 percent under the age of 35. The average age is currently 38. In five years, the average age is expected to increase to 40 and the proportion of staff over 50 years of age is expected to increase to 24 percent from 19 percent.

About 10 percent of our staff are either eligible (or are close to being eligible) to retire. While demographic/retirement pressures are shared by both the BC Public Service and the Office, we face the additional challenge of higher turnover due to the competitive external marketplace for accountants, as well as their portability to the private sector and other government jobs. We anticipate that about half of our 2013 office staff will remain in 2023. Approximately one-third of existing staff may leave in five years. Although the Office does not expect its number of staff to increase from 2013 through 2023, our workforce model indicates we may have to hire approximately 90 new employees over the next 10 years just to keep up with regular attrition and forecasted retirements.

Predicting the timing of staff departures is challenging, with the patterns of departure in the last two years being very different from previous years. We will be updating our forecasts and refining our workforce model in 2013/2014.

Recruitment

The Office's talent management plan is premised on the desire and need to develop talent internally wherever possible. Nonetheless, the realities of our workforce and pressures of the sector require the Office to maintain an active recruitment presence. Over half of the Office's current workforce was hired during the term of Auditor General John Doyle. Our staffing model undergoes regular assessments and fine-tuning to ensure that we are planning three years ahead.

The Office has established a strong profile as a competitive and attractive employer by diversifying and developing our marketing and recruiting efforts, creating competitive employment packages and forming partnerships with professional

Raising the Standard:

HR Impacts the Office of the Auditor General of BC

"A good HR team

The Office's HR team was profiled in *PeopleTalk*, the BC Human Resource Management Association's quarterly magazine. From left to right: Executive Director Marc Lefebvre, HR Advisor Penny Limin and HR Assistant Greg Clarkson.

associations and post-secondary institutions. In 2012/13, the Office hired 15 full-time staff including two co-op students. Senior audit staff recruitment challenges have prompted us to focus on developing staff internally and recruiting more at the entry-or newly qualified level.

Alternative Working Arrangements

Staff parental leaves spiked dramatically in recent years. As noted in last year's report, 10 percent of staff took parental leave in 2011/12. In 2012/13, with more parents returning to the Office, we saw our part-time and alternative work arrangements more than double, from four to nine. While it can pose a scheduling challenge, the benefits of retention and employee engagement make these arrangements very advantageous for the Office and staff alike.

John Doyle looks on as Jessica Schafer is recognized for her significant contributions to the community at the Office's staff recognition event. Presenting her with the award is the previous year's recipient, Geoff Stagg.

Training and Professional Development

Continuous training and development opportunities result in increased productivity, motivation, knowledge and retention. Training and development also contribute to the Office's "excellence" performance indicator. We encourage excellence in our staff by:

- promoting mobility and new work experiences;
- supporting employee learning and career development;
- managing the use of external resources carefully;
- creating entry-level positions for the next generation of staff;
- providing executive coaching to senior or aspiring senior staff; and
- supporting all staff's
  - development of expertise in specific job streams;
  - attainment of further certifications;
  - attendance at subject matter expert trade or education conferences; and
  - pursuit of formal education opportunities through the Office's scholarship program.

The Office introduced the Program for Accelerated Leadership four years ago. This program is predominantly for assistant and senior managers making the transition to roles that require greater leadership. The program develops and prepares our existing staff to meet our future challenges and facilitates needed career development. The program will have an expanded, updated and renewed curriculum for 2013/14.

Curriculum development is a core focus for the Office as we update the methodology to reflect the new core competency framework and address requirements identified through our Professional Practices annual needs analysis process.

INFORMATION TECHNOLOGY

Our IT is aligned to support the Office's vision of promoting effective and accountable government. We work in a world rich with technology alternatives and employees expect to use current technologies on the job. Our goal is to provide tools that:

- keep reasonable pace with technological advances;
- help make staff more efficient;
- are relevant to staff;
- ensure the work we complete is valued by our clients; and
- contribute to the standard of excellence with which we conduct our work.

We also aim to contribute to improving the workplace experience through such things as providing access to social media for business purposes, e-learning networks and better remote working tools. We are considering strategies that encourage the use of personal devices in the coming year.

Priority Areas of Focus

The IT team has identified the following four strategic areas to be addressed:

1. Maintaining what we already have securely and in good working order.
2. Providing secure access to the Office network from anywhere at any time.
3. Providing and supporting the right tool for the job.
4. Providing timely support and resolution of user needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section, we discuss and analyze our business operations, including significant events that have affected our results and financial position for the year ended March 31, 2013, relative to last year and to the service plan published in June 2012. This discussion and analysis of our financial performance should be read in conjunction with our financial statements and related notes. These financial statements have been prepared in accordance with Canadian public sector accounting standards.

We have made forward-looking statements, including statements regarding our business and anticipated financial performance. These statements are subject to a number of risks and uncertainties and therefore actual results may differ from those expected in the forward-looking statements.

Financial and Business Highlights

The Auditor General's mandate is broad, covering audits not only of the Province's financial statements but also of government's performance reports and the delivery of specific programs and services. Through the Office's work, the Auditor General helps the public and the Legislative Assembly hold government to account for how it delivers programs and services to the people of British Columbia.

For 2012/13, the voted appropriation we received from the Legislative Assembly to fund our operations was $15.752 million. This amount reflects the estimated full cost of operations. The Legislative Assembly also approved a separate appropriation for capital expenditures of $280,000.

In 2012/13, the actual total cost of our operations was $15.751 million and our capital expenditures were $157,000. Our unused appropriation cannot be used in subsequent fiscal years. Exhibit 16 summarizes these high-level variances. Further details are provided in the remainder of this discussion and analysis.

Exhibit 16: Office expenditures compared to planned and prior year ($ thousands)

	2012/13 Planned	2012/13 Actual	Variance Planned to Actual	2011/12 Actual	Variance 2012/13 to 2011/12	2013/14 Planned
Salaries and Benefits	11,998	11,889	109	11,697	192	12,105
Professional services	1,193	1,492	(299)	1,711	(219)	1,290
Other expenses	2,561	2,370	191	2,336	34	2,675
Total operating expenses	**15,752**	**15,751**	**1**	**15,744**	**7**	**16,070**

While vacancy rates in general have been in decline, our greatest challenges may still lie ahead in attracting and retaining staff. External market demand for accounting professionals, as well as internal pressures from pending retirements of some key office specialists, have the potential to leave us with some gaps to fill. Although total salaries

and benefits have increased year over year, this is a result of the staffing mix and some specific one-time commitments rather than increased employee salaries. Individual salaries and benefits for most staff are still at 2009 rates, making us susceptible to falling too far behind in marketplace competitiveness.

For the fiscal year 2013/14, the Legislative Assembly approved a 2-percent increase to our operating appropriation. This provides a budget of $16.07 million. This level of funding will allow the Office to maintain the budgeted staffing levels and conduct the work outlined in the Financial Statement Audit Coverage Plan (FSACP).

Using our Resources

Distribution of resources across the work we do

The Office has two lines of business: Financial Audit and Performance Audit. Our FSACP provides details on the planned financial audits that account for the majority of the Office's work. In 2012/13, 58 percent of our resources were used in the conduct of financial audits and 42 percent were used in the conduct of performance audits.

Exhibit 17: Distribution of the Office's expenditures across functions ($ thousands)

	Direct Costs*	Indirect Support Costs**	Overhead Allocation***	Total Expenditures	%
Financial Audit	5,264	3,335	607	9,206	58
Performance Audit	3,821	2,284	440	6,545	42
Total	9,085	5,619	1,047	15,751	100

* Includes costs directly related to specific audits such as travel, report publications, contract services and specialized training.
** Includes all support activities required to conduct audits such as information technology, core training and professional development.
*** Includes items such as office financial services and corporate professional services.

Resources used to staff the work we do

In 2012/13, the Office continued to work towards maintaining the targeted staffing level of 115 employees. With attrition, the average full-time equivalent (FTE) rate for 2012/13 was 109: two less than the prior year. Our actual spending on salaries and benefits in 2012/13 was $109,000 less than planned and $192,000 more than in the prior year. These changes can be attributed to office restructuring, which occurred at the end of the fiscal year and resulted in severance commitments to four former employees.

Exhibit 18 shows comparative figures for planned, actual and prior year spending for salaries and benefits, along with related FTEs.

Exhibit 18: Year over year planned and actual staff expenditures ($ thousands) with associated FTEs

	2012/13 Planned	2012/13 Actual	Variance Planned to Actual	2011/12 Planned	2011/12 Actual	Variance Planned to Actual
Salaries and Benefits	11,998	11,889	109	11,998	11,697	301
FTEs	115	109	6	115	111	4

The Office continues its succession and staffing strategy of the previous few years, which has been to maintain the number of audit associates, or staff completing their Chartered Accountant articling program, and to provide long-term training and development to prepare them for more senior financial audit positions. As a result, associates have accounted for approximately 19 percent of the Office's employees in the past year.

If the Office had not incurred severance commitments and overspent in professional services, there would have been a larger under-spend in salaries and benefits. In 2012/13, we spent $299,000 more than we had planned on professional services. There was a $17,000 increase over the prior year directly related to audit work. Exhibit 19 shows the professional service expenditures we incurred to augment our audit work and our corporate activity requirements.

Overall, professional services were $219,000 less than the prior year, which is largely a result of decrease in training delivered through contracted resources, offset by an increase in legal services costs.

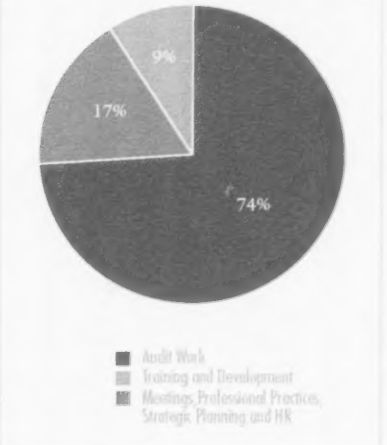
Exhibit 19: Distribution of professional services expenditures ($ thousands)

		2012/13	2011/12	Variance
Audit Work	Financial Audit Contractors	70	30	40
	Fees to Audit Firms	524	586	(62)
	Audit Consultants	223	187	36
	Audit Report Editing	16	13	3
		833	**816**	**17**
Indirect Audit Support	Human Resources	84	43	41
	Information Technology	79	141	(62)
	Training	149	492	(343)
		312	**676**	**(364)**
Corporate Activities	Financial and Audit	34	27	7
	Office Services	64	44	20
	Legal Services	249	146	103
	Corporate Report Editing	0	2	(2)
		-	**219**	**128**
Services Expenditures		**1,492**	**1,711**	**(219)**

How our audit staff spends their time

In 2012/13, our audit staff spent 74 percent of their available time on work directly related to audit projects and an additional 9 percent engaged in mandatory training and professional development (Exhibit 20). Many of our employees are also involved in strategic planning, professional practice activities, human resource recruitment activities and Communities of Practice in various specialty areas. Staff members also participate in internal committees such as our Health and Safety Committee, Green Team, Wellness Committee and IT Advisory Committee, all of which are essential in maintaining a positive work environment and ensuring excellence in how we do our work.

Exhibit 20: Distribution of staff hours



Resources used to support our staff

In 2012/13, we spent $2.37 million on office and support infrastructure required to carry out the Office's work. Total office and support expenses included both indirect audit support and overhead. These expenses were less than our planned budget by $191,000, with a $34,000 increase over the prior year's spending. Exhibit 21 shows the major elements of these expenses and provides a comparison of actual over planned and prior year expenditures.

Exhibit 21: Comparison of the Office's planned, actual and prior year office and support expenses ($ thousands)

	2012/13 Planned	2012/13 Actual	Variance Planned to Actual	2011/12 Actual	Variance 2012/13 to 2011/12
Occupancy Costs	713	697	16	777	(80)
Travel	537	420	117	418	2
Information Technology	391	339	52	411	(72)
Professional Dues and Training	492	338	154	181	157
Office Expenses	171	259	(88)	291	(32)
Amortization	207	188	19	160	28
Report Publications	50	61	(11)	30	31
Research Grants	-	68	(68)	68	-
	2,561	**2,370**	**191**	**2,336**	**34**

Occupancy costs decreased over the prior year as there were workspace improvements in 2011/12.

Maintaining the highest professional standards and excellence when we perform our work requires that our staff remain current with professional standards. We commit funds for this purpose, and also provide staff with opportunities for growth and development. Last year we spent over $487,000 in professional dues and training

courses for our staff, including $149,000 for professional services training fees and $338,000 for professional dues and external training courses. Overall training costs are down from the prior year by $186,000 as the need to train staff for changing accounting standards has lessened.

A Glance at our Past and a Look Into our Future

The Office averaged 109 FTEs in 2012/13, including auxiliary, part-time and co-op staff. This is two fewer FTEs than in the prior year, but still near our goal of 115. The Office plans to increase its FTE numbers to reach our goal of 115. As we move towards our goal we are updating the workforce model.

The 2013/14 fiscal will be a year of transition, with Auditor General John Doyle completing his term and Auditor General Russ Jones beginning his until a new Auditor General is selected by the Legislative Assembly. Although significant, changes in leadership are part of every organization, and the Office's work will continue.

The Office continues to experience pressures related to technology changes and audit methodology developments. To ensure that we can continue to work effectively and efficiently, technology and training costs will continue to be the largest combined operating expense in the upcoming year.

The Office has been located at its current address in Bastion Square for over 30 years. In 2007, we outgrew this location and added a satellite office. In addition to the inefficiencies of operating two locations, the Bastion Square office requires major renovations and seismic upgrading. To address these issues, the Office began a search for alternative space and received the support of the Finance and Government Services to undertake relocation. The Office has now reached an understanding to occupy a build-to-suit space, a few blocks from the current locations, starting November 2014.

"The Committee supports the proposed move of the Office of the Auditor General and approves a 2-percent increase in the operating budget to facilitate relocation of the Bastion Square location in November 2014."

– Select Standing Committee on Finance and Government Services, *Annual Review of the Budgets of the Independent Legislative Offices.*

Exhibit 22: Year-over-year financial trends in the Office, 2008/09-2013/14 ($thousands)

	Planned	Actuals for Fiscal Years (ending March 31)					Line Items (as a percent)				
	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2012/13	2011/12	2010/11	2009/10	2008/09
Operating Expenses							As a % of Total Operating Expenses				
Salaries	9,676	9,482	9,141	9,289	8,659	7,795	60.2	58.1	61.2	56.6	54.8
Employee benefits	2,429	2,407	2,556	2,478	2,414	2,271	15.3	16.2	16.3	15.8	15.9
Professional services	1,290	1,492	1,711	951	1,360	1,597	9.5	10.9	6.3	8.9	11.2
Occupancy costs	713	697	777	676	857	634	4.4	4.9	4.4	5.6	4.5
Travel	433	420	418	470	503	513	2.7	2.7	3.1	3.3	3.6
Information Technology	424	339	411	418	481	545	2.2	2.6	2.8	3.1	3.8
Professional dues and training	547	338	181	331	373	258	2.1	1.2	2.2	2.4	1.8
Office expenses	229	259	291	304	412	289	1.6	1.8	2.0	2.7	2.0
Amortization	207	188	160	135	136	158	1.2	1.0	0.9	0.9	1.1
Report publications	54	61	30	42	46	121	0.4	0.2	0.3	0.3	0.9
Research grants	68	68	68	74	63	63	0.4	0.4	0.5	0.4	0.4
Total Operating Expenses	**16,070**	**15,751**	**15,744**	**15,168**	**15,304**	**14,244**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Appropriation and other amounts	16,070	15,752	15,752	15,400	15,536	15,250					
Unused appropriation	-	(1)	(8)	(232)	(232)	(1,006)					
Capital expenditures	150	157	246	149	185	131					
Average FTE usage	115	108.8	111.2	111.6	111.9	96.4					

STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying financial statements of the Office of the Auditor General are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances to ensure that the financial statements are presented fairly in all material respects.

We have developed and maintain systems of internal control that give reasonable assurance that the Office has:

- operated within its authorized limits;
- safeguarded assets; and
- kept complete and accurate financial records.

The Select Standing Committee on Finance and Government Services of the Legislative Assembly appointed Grant Thornton LLP, Chartered Accountants, to audit the accounts of the Office for the years ended March 31, 2013.

Russ Jones, MBA, CA
Auditor General

June 6, 2013
Victoria

Independent Auditors' Report

Grant Thornton LLP
3rd Floor
888 Fort Street
Victoria, BC
V8W 1H8

T +1 250 383 4191
F +1 250 381 4623
www.GrantThornton.ca

To the Speaker of the Legislative Assembly, Province of British Columbia

We have audited the accompanying financial statements of the Office of the Auditor General of British Columbia, which comprise the statement of financial position as at March 31, 2013, and the statements of operations, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of British Columbia as at March 31, 2013 and the results of its operations, changes in net debt, and its cash flows for the years ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Victoria, Canada
June 6, 2013

Chartered accountants

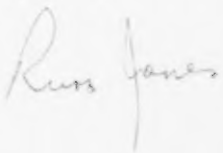
Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

STATEMENT OF FINANCIAL POSITION

(in $000s)

As at March 31, 2013	Note	2013	2012
Financial assets			
Petty Cash		**2**	2
Due from Consolidated Revenue Fund	3	**1,391**	1,299
Total financial assets		**1,393**	1,301
Liabilities			
Accounts payable and accrued liabilities		**1,552**	1,397
Total Liabilities		**1,552**	1,397
Net Debt		**(159)**	(96)
Non financial assets			
Tangible capital assets	4	**411**	442
Prepaid expenses	5	**159**	96
Total non financial assets		**570**	538
Net assets	6	**411**	442

Approved by:



Russ Jones, MBA, CA
Auditor General

Commitments (note 10)
The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

For the fiscal year ended March 31, 2013 (in $000s)

	Note	2013		2012
	7	Budget	Actual	Actual
Revenue				
Operating appropriation		15,752	**15,751**	15,744
Capital appropriation		280	**157**	246
Total revenue		16,032	**15,908**	15,990
Expenses				
Audit services	11	15,752	**15,751**	15,744
Total operating expenses		15,752	**15,751**	15,744
Excess of revenue over expenses before purchase of Tangible Capital Assets		280	**157**	246
Purchase of Tangible Capital Assets		280	**157**	246
Net cost of operations		-	-	-

STATEMENT OF CHANGE IN NET DEBT

For the fiscal year ended March 31, 2013 (in $000s)

	2013	2012
Acquisition of prepaid expenses	**(113)**	(55)
Use of prepaid expenses	**50**	30
	(63)	25
Increase in net debt	**(63)**	(25)
Net debt at beginning of year	**(96)**	(71)
Net debt at end of year	**(159)**	(96)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the fiscal year ended March 31, 2013 (in $000s)

For the years ended March 31	Note	2013	2012
Operating transactions			
Paid to employees		**(11,400)**	(11,387)
Paid to suppliers		**(3,921)**	(3,676)
Miscellaneous Receipts	9	**118**	56
Cash used in operations		**(15,203)**	(15,007)
Capital transactions			
Acquisition of tangible capital assets		**(157)**	(246)
Appropriation for tangible capital assets		**157**	246
		-	-
Financing activities			
Current year appropriation		**15,295**	15,583
Increase in due from consolidated revenue fund		**92**	576
Due from consolidated revenue fund, beginning of year		**1,299**	723
Due from consolidated revenue fund, end of year		**1,391**	1,299

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of Operations

The Auditor General is an Officer of the Legislature of British Columbia. Until recently, the Auditor General was appointed for a six-year term by the Legislative Assembly. In March 2013, the *Auditor General Act* was amended to make that an eight-year term. Non-partisan, objective and independent of the government of the day, he reports impartial assessments of government accountability and performance to the Assembly.

The Auditor General's mandate is established by the *Auditor General Act*. The Act requires the Auditor General to audit the government's annual Summary Financial Statements, and allows the Auditor General to be appointed as the financial statement auditor of any government organization or trust fund. The Act also allows the Auditor General to carry out examinations focusing, among other things, on whether government or a government organization is operating economically, efficiently and effectively; and whether the accountability information provided to the Legislative Assembly by the government or a government organization with respect to the results of its programs is adequate.

Funding for the operation of the Office of the Auditor General (the Office) comes from a voted appropriation (Vote 2) of the Legislative Assembly.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies.

a) **Legislative appropriations**

The Office is funded by the Legislative Assembly through a voted appropriation. The vote provides separately for operating expenses and capital acquisitions. Any unused appropriation cannot be carried forward for use in subsequent years.

b) **Financial instruments**

The Office has designated its financial instruments as follows:
Accounts payable and accrued liabilities as other financial liabilities and are measured at amortized cost.
Due from (to) consolidated revenue fund is classified as either loans and receivables or other financial liabilities and is measured at amortized cost.
It is management's opinion that the Office is not exposed to significant interest, currency or credit risk arising from these instruments.
A statement of remeasurment gains and losses has not been prepared as it is not considered to provide useful information.

c) **Tangible capital assets**

Tangible captial assets are recorded at historical cost less accumulated depreciation. Depreciation begins when the assets are put into use and is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Mainframe hardware and software	5 years
Furniture and equipment	5 years
Tenant improvements	lesser of 5 years or term of lease

d) Employee future benefits

i) Pension benefits

All eligible employees participate in a multi-employer defined benefit pension plan. Defined contribution plan accounting has been applied to the plan as the Office has insufficient information to apply defined benefit plan accounting. Accordingly, the Office's contributions are expensed in the year in which the services are rendered, and represent its total pension obligation.

ii) Other future benefits

Eligible employees are entitled to post-employment health care and other benefits as provided under terms of employment or collective agreements. The cost of these benefits is accrued as employees render the services necessary to earn them.

iii) Leave Liability

Eligible employees are entitled to accumulate earned, unused vacation and other eligible leave entitlements as provided under terms of employment or collective agreements. The liability for the leave is managed and held by the BC Public Service Agency.

iv) The Office has a Supplemental Executive Retirement Plan for eligible employees. The liability is determined by actuarial valuation using estimates described in Note 8.

e) Measurement uncertainty

These financial statements are prepared in accordance with Canadian public sector accounting standards, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Provision for staff performance incentives, the supplemental executive retirement plan and estimated useful lives of tangible capital assets are the most significant items for which estimates are used. Actual results could differ from those estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Due from/(to) the Consolidated Revenue Fund

The Office does not have its own bank account or hold cash or cash equivalents. All financial transactions of the Office are processed through the Consolidated Revenue Fund of the Province of British Columbia. The "Due from (to) the consolidated revenue fund" balance represents amounts that the Office will receive from, or transfer to the fund.

	March 31, 2013	March 31, 2012
Balance, beginning of year	1,299	723
Cash provided for operations	15,295	15,583
Cash provided from miscellaneous receipts	118	56
Cash provided for the acquisition of tangible capital assets	157	246
	16,869	16,608
Expenses during year:		
Paid to employees	(11,400)	(11,387)
Paid to suppliers	(3,921)	(3,676)
Paid for the acquisition of tangible capital assets	(157)	(246)
	(15,478)	(15,309)
Balance, end of year	1,391	1,299

4. Tangible Capital Assets

	Computer hardware & software	Mainframe hardware & software	Furniture & equipment	Tenant improvements	Total
Year ended March 31, 2012					
Opening net book value	138	28	190	-	356
Additions	48	71	60	67	246
Disposals	-	-	-	-	-
Depreciation charge	(73)	(16)	(68)	(3)	(160)
Closing Net Book Value	**113**	**83**	**182**	**64**	**442**
At March 31, 2012					
Cost	394	174	456	67	1091
Accumulated depreciation	(281)	(91)	(274)	(3)	(649)
Net Book Value	**113**	**83**	**182**	**64**	**442**
Year ended March 31, 2013					
Opening net book value	113	83	182	64	442
Additions	48	54	55	-	157
Disposals	-	-	-	-	-
Depreciation	(74)	(25)	(75)	(14)	(188)
Closing Net Book Value	**87**	**112**	**162**	**50**	**411**
At March 31, 2013					
Cost	375	228	511	67	1181
Accumulated depreciation	(288)	(116)	(349)	(17)	(770)
Net Book Value	**87**	**112**	**162**	**50**	**411**

The Office derecognized computer hardware totalling $67,000 that had been fully depreciated ($198,000 of computer hardware in 2012).

5. Prepaid Expenses

	March 31, 2013	March 31, 2012
Travel	10	7
Software maintenance	101	88
Other	48	1
	159	96

6. Net Asset Balance

The net asset balance represents tangible capital assets that have been funded through appropriations.

7. Voted, Unused and Used Appropriation

The Office receives approval from the Legislative Assembly to spend funds through an appropriation that includes two components—operating and capital. Any unused appropriations lapse at the fiscal year-end.

The budget shown on the Statement of Operations is based on the budgeted expenses that the Select Standing Committee on Finance and Government Services approved on December 14, 2011. The following table compares the Office's actual expenditures to the approved budgets:

Year ended March 31	2013		2012	
	Operating	Capital	Operating	Capital
Appropriation (Vote 2)	15,752	280	15,752	250
Total appropriation available	15,752	280	15,752	250
Total operating expenses	(15,751)	-	(15,744)	-
Capital acquisitions	-	(157)	-	(246)
Unused appropriation	**1**	**123**	**8**	**4**

8. Employee Future Benefits

The Office and all eligible employees contribute to the Public Service Pension Plan, a multi-employer, defined benefit, and joint trusteeship plan, established for certain British Columbia public service employees. The British Columbia Pension Corporation administers the plan, including payments of pension benefits to eligible employees. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

The plan is contributory, and its basic benefits are based on years of service and average earnings at retirement. Under joint trusteeship, the risks and rewards associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions.

Every three years an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2011 reported the fund was only 98% funded.

During the 2012 fiscal year, it was determined that the Auditor General is entitled to a Supplemental Executive Retirement Plan. The plan provides an additional half year of pensionable service for each year worked.

The estimated accrued liability under the plan as at March 31, 2013 is as follows:

	2013	2012
Accrued benefit obligation		
Balance, beginning of year	**125**	-
Current benefit cost	**150**	125
Balance, end of year	**275**	125

The significant actuarial assumptions adopted in measuring the accrued benefit obligation are as follows:

	2013	2012
Discount Rate	**6.4 %**	6.5%
Expected future inflationary trends	**3.65%**	3.75%

9. Miscellaneous receipts

Miscellaneous receipts include the repayment of funds to the Office for expenditures made to employees and suppliers.

The Office also has seconded employees to other offices and received repayment of their salaries during the exchange.

10. Commitments

The Office leases three photocopier under an agreement, one expires in November 2015 and the other two expire in May 2016.

The Office incurred severance commitments at the end of the fiscal year, which expire in November 2013, January 2014 and June 2014.

The Office has an accommodation agreement with the Ministry of Labour and Citizens' Services for occupancy of the space at 8 Bastion Square. The agreement expires October 2014. The Office also leases office space at 595 Pandora Street. This lease expires November 2014.

Future minimum payments under the terms of the commitments as of March 31, 2013 are as follows:

Fiscal Year	**Commitment**
2013/14	1,063
2014/15	423
2015/16	8
2016/17	1
Total	1,495

11. Audit Services

Classification of audit service expenses by object:

Year Ended March 31	2013		2012
	Budget	Actual	Actual
Salaries and benefits	11,998	**11,889**	11,697
Professional services	1,193	**1,492**	1,711
Occupancy costs	713	**697**	777
Travel	537	**420**	418
Professional dues and training	492	**338**	181
Information technology	391	**339**	411
Office expenses	171	**259**	291
Depreciation	207	**188**	160
Report publications	50	**61**	30
Research grants	-	**68**	68
	15,752	**15,751**	15,744

12. Related Party Transactions

The Office is related as a result of common ownership to all Province of British Columbia ministries, agencies, crown corporations and all other public sector entities. Transactions with entities are recorded on an accrual basis and are considered to be in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Other related parties

Office expenses of $7,572 were incurred in 2013 with an immediate family member of key management.

APPENDIX A: SUMMARY OF WORK ISSUED IN 2012/13

Financial Audits

1. Summary Financial Statements of the Province of BC
2. Summary Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures

Colleges

3. Douglas College
    4. Enrolment audit – Douglas College
5. Camosun College

School Districts

6. School District 35 – Langley
7. School District 36 – Surrey
8. School District 54 – Bulkley Valley
9. School District 61 – Greater Victoria
10. School District 83 – North Okanagan - Shuswap

Universities

11. Simon Fraser University (contracted auditors)

Health Authorities

12. Vancouver Island Health Authority

Crown Corporations and other Government Agencies

13. BC Immigrant Investment Fund
14. BC Pavilion Corporation
15. BC Transportation Financing Authority
16. BC Enterprise Corporation
17. BC Liquor Distribution Branch (contracted auditors)
18. BC Railway Company (contracted auditors)
19. BC Securities Commission
20. BC Transit
21. Columbia Power Corporation

    Subsidiaries of Columbia Power Corporation:

    22. Arrow Lakes Power Corporation
    23. Brilliant Power Corporation
    24. Brilliant Expansion Power Corporation
    25. Waneta Expansion Power Corporation
26. Forestry Innovation Investment
27. Industry Training Authority
28. Oil and Gas Commission
29. Pacific Carbon Trust
30. Transportation Investment Corporation

Other Organizations and Special Reports

31. Office of the Representative for Children and Youth (audit of statement of expenditures)
32. Langley School District Foundation

APPENDIX A: SUMMARY OF WORK ISSUED IN 2012/13

Compliance Audits

33. British Columbia Benefits and Measures Statement of Operations
34. Supplemental Agreement for Systems Development and Implementation
35. Statement of revenues and expenses – Labour Market Agreement, (LMA)
36. Schedule of detailed expenditure claims – Targeted Initiative for Older Workers, (TIOW)
37. Report on compliance with specific criteria in the Canada – British Columbia Labour Market Agreement
38. Canada – British Columbia Building Canada Fund, Contribution Agreement for Core National Highway System Projects
39. Canada – British Columbia Asia-Pacific Gateway and Corridor Initiative
40. Canada – British Columbia Asia-Pacific Gateway and Corridor Initiative Transportation Infrastructure Component, South Fraser Perimeter Road
41. Canada – British Columbia Provincial-Territorial Base Funding Agreement Building Canada Infrastructure Plan
42. Canada – British Columbia Building Canada Fund Contributions Agreement for the British Columbia Transit Improvement Program 2009-2010/2016-2017 – report on 2010/2011
43. Canada – British Columbia Building Canada Fund Contributions Agreement for the British Columbia Transit Improvement Program 2009-2010/2016-2017 – report on 2011/2012

Other

44. Worksafe BC on December 2011 financial statements issued April 2012

PUBLIC REPORTS

Crown Agency Board Governance

45. BC Transit
46. University of Northern British Columbia
47. Camosun College
48. Vancouver Coastal Health Authority

Audits of Two P3 Projects in the Sea-to-Sky Corridor

49. Sea-to-Sky Highway Improvement Project
50. Britannia Mine Water Treatment Plant

Summary Report: Results of completed projects and other matters

51. OAG Investigations Unit
52. Audit of the Police Complaint Commission
53. Audit of Government's Implementation of the BC Reporting Principles
54. BC Transit Ridership Audit
55. School District 40s (New Westminister) Business Company Examination

Other:

56. Development Initiative Trusts: An Audit of Legislative Compliance and Public Accountability Practices in the Three Statutory Trusts
57. Annual Report 2011/12 and Service Plan 2012/13-2014/15
58. The Status of IT Controls in British Columbia's Public Sector: An analysis of audit findings
59. Audit of the Legislative Assembly's Financial Records
60. Follow-up Report: Updates on the implementation of recommendations from recent reports
61. Observations on Financial Reporting: Summary Financial Statements 2011/12
62. Securing the JUSTIN System: Access and security audit at the Ministry of Justice
63. Audit of Biodiversity in B.C.: Assessing the effectiveness of key tools
64. Health Benefits Operations: Are the expected benefits being achieved?
65. Audit of the Legislative Assembly's Financial Records: Update
66. Striving for Quality, Timely and Safe Patient Care: An audit of air ambulance services in British Columbia
67. An Audit of Carbon Neutral Government
68. Audit of the Evergreen Line Rapid Transit System

GUIDES AND RESOURCES

69. Health Funding Explained

OFFICE OF THE
Auditor General
of British Columbia

Location:
8 Bastion Square
Victoria, British Columbia
V8V 1X4

Office Hours:
Monday to Friday
8:30 am – 4:30 pm

Telephone: 250-419-6100
Toll free through Enquiry BC at: 1-800-663-7867
In Vancouver dial 604-660-2421

Fax: 250-387-1230

Email: bcauditor@bcauditor.com

Website:
This report and others are available at our website, which also contains further information about the office: www.bcauditor.com

Reproducing:
Information presented here is the intellectual property of the Auditor General of British Columbia and is copyright protected in right of the Crown. We invite readers to reproduce any material, asking only that they credit our Office with authorship when any information, results or recommendations are used.